CITY OF FORNEY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2016

CITY MANAGER
JAMES FISHER

ASSISTANT CITY MANAGER
WENDLE MEDFORD

CITY OF FORNEY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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C I T Y O F F O R N E Y

March 28, 2017

Honorable Mayor and City Council
City of Forney
Forney, Texas

Dear Mayor and Council Members,

The Comprehensive Annual Financial Report ("CAFR") of the City of Forney, Texas, for the year ended September 30, 2016, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown & Hill, LLP., have issued an unmodified ("clean") opinion on the City of Forney's financial statements for the year ended September 30, 2016. The independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to compliment Management's Discussion and Analysis ("MD&A") and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

General Information – City of Forney

The City of Forney ("City") was incorporated in 1910 and currently has an estimated population of 18,400. The City operates as a Home Rule City, under a Council-Manager form of government with the Mayor and six Council members elected at large.

The City's major operations include police and fire protection, planning, building inspections, finance, parks and recreation, public works, and general administrative services. In addition, the City owns and operates a water and sewer system.

Economic Conditions and Outlook

Forney, Texas is one of the fastest growing communities in the DFW area. Strategically located between Highway 80 and Interstate 20, population has increased 31% in the last decade.

101 E. Main Street. ★ P.O. Box 826 ★ Forney, Texas 75126 ★ 972.564.7300 ★ cityofforney.org

Despite the increasing population, the city has managed to maintain a vibrant, family-centered lifestyle and community leaders carefully weigh growth opportunities against quality of life issues and sustainability. The City continues to work with developers to expand and diversify available retail opportunities with the Forney Marketplace and Gateway developments.

Economic conditions continue to present challenges in budget development and forecasting. However, moderate growth continues in several key indicators. Sales tax continues to trend upward and ended the year with a 11.67% increase over the previous year's collections. New construction remains very active. These factors coupled with planned projects scheduled to begin in the near future, cause us to remain optimistic regarding Forney's future opportunities.

Major Initiatives

The City Council has identified Strategic Plan Objectives, and most of the major initiatives are directly related to those objectives. Major initiatives for 2016 focused on expanding parks and recreation opportunities by maximizing amphitheater use through additional concert events and developing a plan for facility rental. Additionally, construction began on a new Animal Shelter and Fire Station #2.

Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City Manager's Office, and expenditure estimates by each City department. Budgets are reviewed by the City Manager who makes final decisions and submits a recommended budget to the City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager's Office and the City Council concurrent with review of the proposed budget. The re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

In an effort to stay within budget, the budget analyst reviews expenses weekly and provides each department head their departments expense report monthly. Each department head reviews their reports and directs any questions to the budget analyst for further review. The budget analyst also provides the City Manager's Office and City Council with a monthly summary budget report. The Director of Finance also presents a detailed quarterly report to the City Council.

General Government Functions

Tax Rates: All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

Fiscal Year	Tax Rate
2010-2011	0.707290
2011-2012	0.743098
2012-2013	0.749020
2013-2014	0.749020
2014-2015	0.723486
2015-2016	0.698483
2016-2017	0.651111

Other Information

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded Certificate of Achievement for Excellence in Financial Reporting to the City of Forney for its comprehensive annual financial report for the fiscal year ended September 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it the GFOA to determine eligibility of another certificate.

Certificate of Recognition for Budget Preparation

The Government Finance Officers Association of the United States and Canada ("GFOA") presented a Distinguished Budget Presentation Award to the City of Forney for its annual budget for the Fiscal Year beginning October 1, 2015. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Deborah Woodham

Deborah Woodham
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

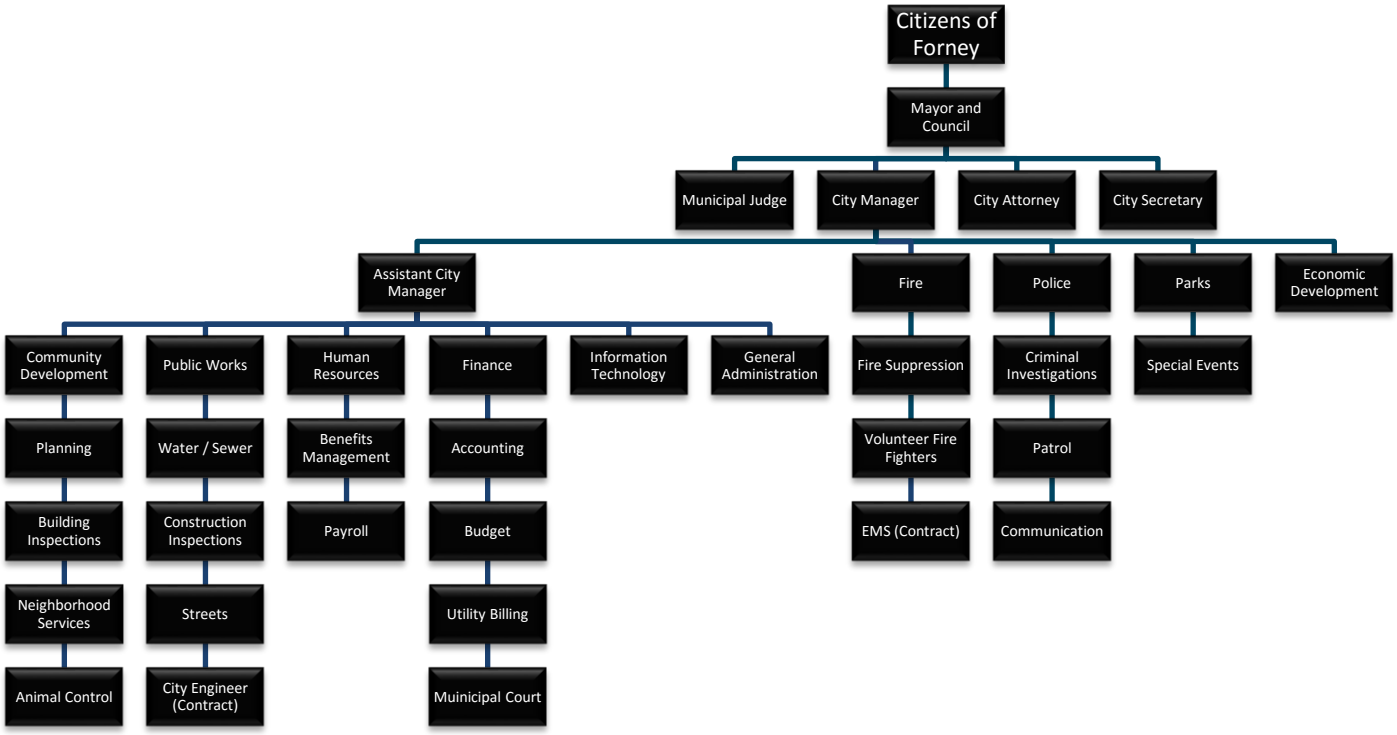
City of Forney
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City Organization Chart



CITY OF FORNEY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

Rick Wilson
MAYOR

CITY COUNCIL

Cory McGee	Place 1
Ray Stephens	Mayor Pro Tem and Place 2
Robbie Powers	Place 3
Scott Regan	Place 4
Mary Penn	Place 5
David Johnson	Place 6

James Fisher
CITY MANAGER

Wendle Medford
ASSISTANT CITY MANAGER

Deborah Woodham
DIRECTOR OF FINANCE

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Forney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Forney, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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AICPA
Governmental Audit Quality Center

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Forney, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Forney, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, on our consideration of the City of Forney, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Forney, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of the City of Forney (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $64,731,337 (net position). Of this amount, $24,998,885 of (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $4,442,148 from operations due to an increase in business-type activities net position largely due to an increase in water sales. This increase was offset by a prior period adjustment made that decreased net position by $3,081,071.

- At the end of the current fiscal year, the City's governmental funds reported combined fund balances of $21,753,347, an increase of $190,752 or 1%, in comparison with the prior year. The majority of this increase is due to the issuance of long-term debt. Approximately 6% of this total amount, or $1,343,152, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund of $1,343,152 was 10% of total General Fund expenditures for the fiscal year.

- The City's total bonded debt decreased by $3,330,000 , or 5%, during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The first two statements (pages 14-16) in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status.

The next statements (pages 17-25) are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplemental information is provided to show details about the City's pension plan.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both the government-wide financial statements include not only the City itself, known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City. The final category is the component unit.

The government-wide financial statements are on pages 14-16 of this report.

Fund financial statements — The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements for governmental funds, proprietary funds, and fiduciary funds can be found in the financial section of this report.

Governmental funds — Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Projects Fund, and Roadway Impact Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information. The governmental fund financial statements can be found on pages 17-21 of this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary funds — The City of Forney has one type of proprietary fund which is the Utility Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary funds — Fiduciary funds are used to account for amounts held on behalf of others by the City as a trustee, or fiduciary. The City is the trustee, or fiduciary, for certain amounts held on behalf of developers. All of the City's fiduciary activities are reported in a separate Statements of Fiduciary Assets and Liabilities. The activities of this fund are excluded from the City's other financial statements because the City cannot use these assets to finance its' operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

The fiduciary funds financial statements can be found on page 25.

Notes to the financial statements — The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26-55 of this report.

Other Information — In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 58-62 of this report.

CITY OF FORNEY'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 48,382,400	$ 51,533,102	$ 19,633,259	$ 18,895,559	$ 68,015,659	$ 70,428,661
Capital assets	54,322,610	54,966,478	16,397,936	15,016,506	70,720,546	69,982,984
Total assets	102,705,010	106,499,580	36,031,195	33,912,065	138,736,205	140,411,645
Deferred outflows of resource	1,697,153	1,083,013	240,679	165,670	1,937,832	1,248,683
Long-term liabilities outstanding	66,625,005	69,461,016	6,081,513	6,599,150	72,706,518	76,060,166
Other liabilities	1,760,309	1,152,917	784,421	1,012,005	2,544,730	2,164,922
Total liabilities	68,385,314	70,613,933	6,865,934	7,611,155	75,251,248	78,225,088
Deferred inflows of resources	610,772	-	80,680	-	691,452	-
Net position:						
Net investment, in capital assets	22,326,642	24,513,186	10,839,253	8,875,498	33,165,895	33,388,684
Restricted	5,035,645	14,380,773	1,530,912	2,764,485	6,566,557	17,145,258
Unrestricted	8,043,790	(1,925,299)	16,955,095	14,826,597	24,998,885	12,901,298
Total net position	$ 35,406,077	$ 36,968,660	$ 29,325,260	$ 26,466,580	$ 64,731,337	$ 63,435,240

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Forney exceeded the liabilities and deferred inflows of resources by $64,731,337 as of September 30, 2016. The City's net position increased by $4,442,148 for fiscal year ended September 30, 2016. This increase was offset by a prior period adjustment made that decreased net position by $3,081,071.

Net Investment in Capital Assets – The largest portion of the City's net position, 51%, reflects the City's net investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted Net Position – The restricted net position of $6,566,557, or 10% of total net position represents resources that are subject to external restrictions or their use, or by enabling legislation. Restricted net position is comprised of state imposed restrictions; namely 57% for impact fees, 4% for courts fees restricted for use within the municipal court, 1% for tourism related to the collection hotel occupancy taxes and 40% contractual obligations for debt from property taxes.

Unrestricted Net Position – Unrestricted net position of $24,998,885 is available to fund City programs to citizens and obligations to creditors.

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 2,471,101	$ 4,106,251	$ 14,152,555	$ 13,506,550	$ 16,623,656	$ 17,612,801
Operating grants and contributions	7,350	348,145	-	-	7,350	348,145
Capital grants and contributions	621,493	33,317	-	-	621,493	33,317
General revenues:						
Property taxes	8,209,164	7,627,533	-	-	8,209,164	7,627,533
Franchise taxes	3,505,463	3,653,796	-	-	3,505,463	3,653,796
Sales taxes	4,709,696	4,212,896	-	-	4,709,696	4,212,896
Other taxes	172,118	38,333	-	-	172,118	38,333
Investment income	112,348	155,264	20,934	48,010	133,282	203,274
Gain on disposal of capital assets	64,980	-	19,983	-	-	-
Miscellaneous	121,903	59,995	2,875	403,669	124,778	463,664
Total revenues	19,995,616	20,235,530	14,196,347	13,958,229	34,107,000	34,193,759
Expenses:						
General government	4,018,323	3,608,223	-	-	4,018,323	3,608,223
Public safety	8,665,081	8,024,153	-	-	8,665,081	8,024,153
Public works	1,367,982	1,342,998	-	-	1,367,982	1,342,998
Public services and operations	704,984	714,490	-	-	704,984	714,490
Parks and recreation	1,460,278	1,365,528	-	-	1,460,278	1,365,528
Interest on long-term debt	2,724,252	3,157,842	-	-	2,724,252	3,157,842
Utilities	-	-	10,808,915	9,883,212	10,808,915	9,883,212
Total expenses	18,940,900	18,213,234	10,808,915	9,883,212	29,749,815	28,096,446
Increases in net position before transfers and extraordinary item (expense)	1,054,716	2,022,296	3,387,432	4,075,017	4,442,148	6,097,313
Transfers	528,752	458,247	(528,752)	(458,247)	-	-
Increase (decrease) in net position	1,583,468	2,480,543	2,858,680	3,616,770	4,442,148	6,097,313
Net position, beginning	36,968,660	36,799,871	26,466,580	23,146,883	63,435,240	59,946,754
Prior period adjustments	(3,146,051)	(2,311,754)	-	(297,073)	(3,146,051)	(2,608,827)
Net position, beginning, as restated	33,822,609	34,488,117	26,466,580	22,849,810	60,289,189	57,337,927
Net position, ending	$ 35,406,077	$ 36,968,660	$ 29,325,260	$ 26,466,580	$ 64,731,337	$ 63,435,240

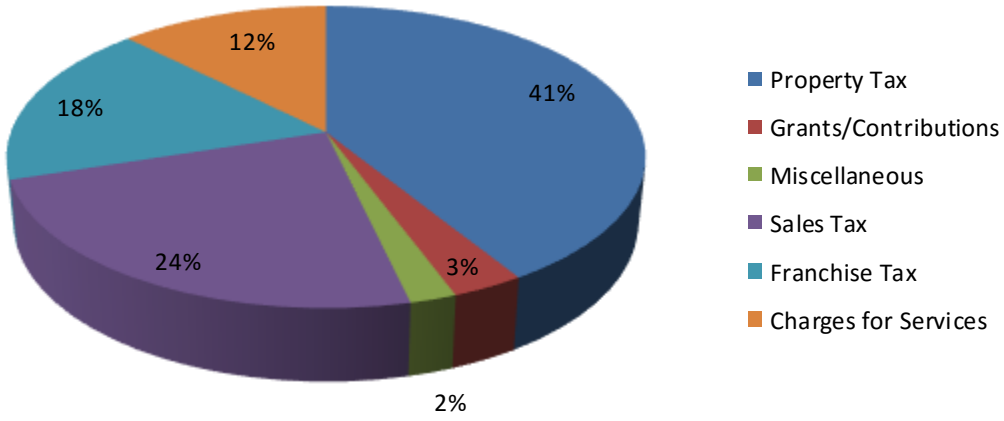
Governmental activities increase in net position before transfers and extraordinary expense increased by $1,054,716, primarily due to an increase in tax revenue.

Business-type activities increased net position before transfers and extraordinary expense, by $3,387,432. This is due to an increase in utility revenues. Also, due to the increase in expenses, the percentage of revenues over expenses decreased 7% compared to the prior year.

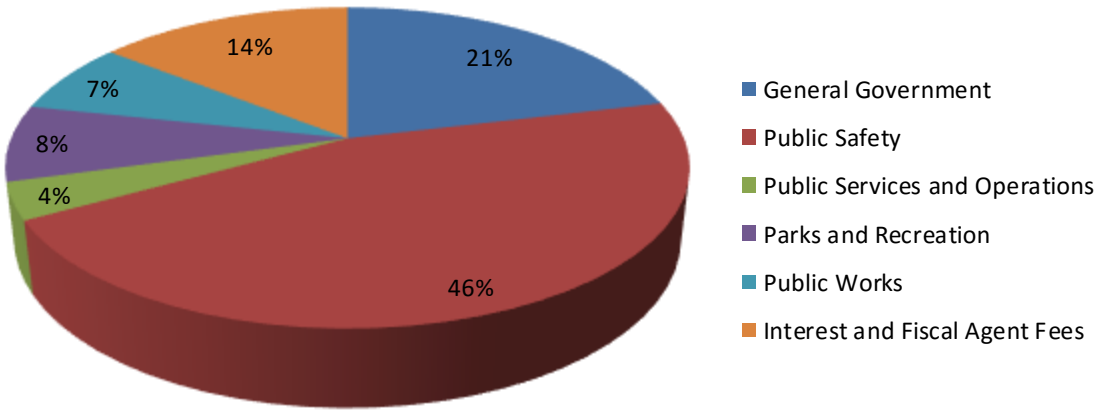
Governmental-type activities – Governmental-type activities, increased the City's net position by $1,583,468. A key element of this increase is as follows:

Charges for services for the governmental activities decreased significantly due to a one-time payment being received in the prior year of $2,441,462. General revenues of the governmental activities increased by $1,082,875. This increase is primarily related to increased tax revenue. Additionally, general government expenses remained overall consistent with the prior period with slight increases in general government and public safety expenses and slight decreases in public services and operations and interest expense on long-term debt.

Revenues - Governmental Activities
Fiscal Year 2016 (excludes transfers)



Primary Government Functional Expenes for
Governmental Activities - Fiscal Year 2016



Business-type activities – Business type activities increased the City of Forney's net position by $2,858,680.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Forney uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds – The focus of the City of Forney's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of the city's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the city itself, or a group or individual authorized by the governing body to assign resources for a particular purpose.

At the close of the current fiscal year, the governmental funds reported combined ending fund balances of $21,753,347, an increase of $190,752 , or 1% in comparison with the prior year. The components of total fund balances are as follows:

Restricted fund balances of $11,005,205 consist of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations or enabling legislation. Obligations for bonded debt is $4,161,496, or 38%, and debt proceeds for capital expenditures of $4,422,008, or 40%, account for the majority of restricted fund balances. Restrictions imposed by legislation amounts to $2,421,701 or 22%.

Committed fund balance of $63,684 is for the police department as imposed by City Council for specific purposes.

Assigned fund balance of $9,341,306 is for special projects and use in the subsequent year's budget as imposed by City Council or City Management for specific purposes.

Unassigned fund balance of $1,343,152 represents the residual classification for the City's General Fund.

As a measure of the General Fund's liquidity, it is useful to compare fund balance to total General Fund expenditures. Total fund balance equates to 49% of total General Fund expenditures.

Significant changes in fund balances of major funds are as follows:

The General Fund's fund balance increased by $432,258 or 7%, due to the increase in almost every category of General Fund revenue.

The Debt Service Fund's fund balance decreased by $137,976, or 3%, due to principal and interest expenditures exceeding property tax revenue collections for the year.

The Roadway Impact Fund's fund balance increased by $292,922, or 15%, due to no funds being spent during the fiscal year.

The Capital Projects Fund's fund balance decreased by $435,057 , or 5%, due to the expenditure of fund balance on capital projects in excess of the new capital related bonds that were issued during the year.

Proprietary Funds

The City of Forney's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to $16,955,095.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts mainly in the areas of property tax and sales tax revenues. Expenditures were less than budgeted amounts primarily in the area of planning and development.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets—The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounted to $70,720,546 (net of accumulated depreciation). These assets include land, buildings, improvements, machinery and equipment, vehicles and construction in progress. This amount represents a net increase (including additions and deductions) or $737,562 (net of accumulated depreciation) from the prior fiscal year.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction of fire station #2
- Roadway improvements
- Animal Control facility improvements
- Water and sewer line improvements

CITY OF FORNEY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	$ 4,611,448	$ 4,611,448	$ 703,953	$ 703,953	$ 5,315,401	$ 5,315,401
Infrastructure	28,914,877	29,775,406	14,244,441	12,471,551	43,159,318	42,246,957
Buildings and improvements	14,006,208	13,661,647	-	-	14,006,208	13,661,647
Machinery and equipment	1,937,804	3,263,545	310,945	248,984	2,248,749	3,512,529
Construction in progress	4,852,273	3,654,432	1,138,597	1,592,018	5,990,870	5,246,450
Total	$ 54,322,610	$ 54,966,478	$ 16,397,936	$ 15,016,506	$ 70,720,546	$ 69,982,984

More detailed information about capital assets is presented on pages 38-39 in the notes to the financial statements.

CITY OF FORNEY'S OUTSTANDING BONDS AND NOTES PAYABLE AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds and certificates of obligation	$ 35,415,000	$ 34,805,000	$ 5,570,000	$ 6,100,000	$ 40,985,000	$ 40,905,000
Pass-through toll revenue and limited tax bonds	26,270,000	29,680,000	-	-	26,270,000	29,680,000
Notes payable	189,305	233,813	-	-	189,305	233,813
Total	$ 61,874,305	$ 64,718,813	$ 5,570,000	$ 6,100,000	$ 67,444,305	$ 70,818,813

The City's long term debt decreased by $3,374,508 due to payments made throughout the year. More detailed information about the long-term obligations is presented on pages 42-46 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for the business-type activities. The financial forecast presented to the City Council projects an increase in the General Fund revenues of $1,403,722 or 11%.

Assessed property values grew approximately 11.15% for 2016 which will increase property tax revenue in the upcoming budget for secured and unsecured property taxes to be collected in FY 2017. The property tax rate for fiscal year 2017 decreased from the year 2016 to $0.651111 per $100 assessed value.

The FY 2017 budget includes an 10% increase in General Fund expenditures. These increased costs include a staffing increase of seven full-time equivalents. However, the largest increase is due to increasing employee benefit costs, as health insurance premiums are expected to increase 15%.

North Texas Municipal Water District has indicated that it will impose a 10% increase in water purchase cost and a 28% increase in sewage treatment. Additionally, the City exceeded the take or pay contracted minimum and will also incur an increase in water purchases due to the increased minimum. The total increase for water purchases for FY 2017 will be 26%. The Council voted to increase residential and commercial water rates 5% and to maintain the current sewer rates to cover a portion of the increased cost.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Division, City of Forney, P.O. Box 826, Forney, Texas 75126-0826.

BASIC
FINANCIAL STATEMENTS

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CITY OF FORNEY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Forney EDC
ASSETS				
Cash and cash equivalents	$ 10,151,261	$ 6,494,405	$ 16,645,666	$ 1,139,944
Investments	7,234,758	6,774,225	14,008,983	-
Receivables (net of allowances for uncollectibles)				
Taxes receivable	1,082,765	-	1,082,765	285,908
Accounts receivable	156,506	1,912,093	2,068,599	150
Intergovernmental receivable	24,978,337	-	24,978,337	-
Due from primary government	-	-	-	46,721
Internal balances	(2,135,503)	2,135,503	-	-
Restricted assets:				
Cash and investments	6,914,276	2,317,033	9,231,309	1,091,654
Capital assets, not being depreciated	9,463,722	1,842,550	11,306,272	498,081
Capital assets, being depreciated, net	44,858,888	14,555,386	59,414,274	1,300,066
Total assets	102,705,010	36,031,195	138,736,205	4,362,524
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	240,210	48,224	288,434	-
Deferred resource outflow related to pension	1,456,943	192,455	1,649,398	31,432
Total deferred outflows of resources	1,697,153	240,679	1,937,832	31,432
LIABILITIES				
Accounts payable	964,652	314,877	1,279,529	2,689
Accrued liabilities	363,675	18,109	381,784	3,500
Due to other governments	29,828	2,198	32,026	-
Unearned revenue	-	86,043	86,043	-
Accrued interest payable	355,433	22,720	378,153	12,908
Due to component unit	46,721	-	46,721	-
Customer deposits	-	340,474	340,474	-
Noncurrent liabilities:				
Due within one year	3,974,157	550,909	4,525,066	95,863
Due in more than one year	62,650,848	5,530,604	68,181,452	2,141,949
Total liabilities	68,385,314	6,865,934	75,251,248	2,256,909
DEFERRED INFLOWS OF RESOURCES				
Deferred resource inflow related to pension	610,772	80,680	691,452	13,177
Total deferred inflows of resources	610,772	80,680	691,452	13,177
NET POSITION				
Net investment in capital assets	22,326,642	10,839,253	33,165,895	725,557
Restricted:				
Use of impact fees	2,185,265	1,530,912	3,716,177	-
Debt service	2,613,944	-	2,613,944	-
Municipal court use	126,146	-	126,146	-
Capital improvements	-	-	-	-
Tourism	110,290	-	110,290	-
Unrestricted	8,043,790	16,955,095	24,998,885	1,398,313
Total net position	$ 35,406,077	$ 29,325,260	$ 64,731,337	$ 2,123,870

The accompanying notes are an integral part of these financial statements.

CITY OF FORNEY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Function/Program Activities	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	$ 4,018,323	$ 11,232	$ -	$ -
Public safety	8,665,081	717,622	-	-
Public services and operations	704,984	-	-	-
Parks and recreation	1,460,278	59,384	7,350	-
Public works	1,367,982	1,682,863	-	621,493
Interest and charges on long-term debt	2,724,252	-	-	-
Total governmental activities	18,940,900	2,471,101	7,350	621,493
Business-type activities:				
Utility fund	10,808,915	14,152,555	-	-
Total Business-type activities	10,808,915	14,152,555	-	-
Total primary government	29,749,815	16,623,656	7,350	621,493
Component unit:				
Economic Development Corporation	910,500	57,515	46,531	-
Total Component unit	$ 910,500	$ 57,515	$ 46,531	$ -

General revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Miscellaneous
- Investment income
- Gain on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position -- beginning

Prior period adjustment

Net position -- ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Forney EDC
$(4,007,091)	$ -	$(4,007,091)	$ -
(7,947,459)	-	(7,947,459)	-
(704,984)	-	(704,984)	-
(1,393,544)	-	(1,393,544)	-
936,374	-	936,374	-
(2,724,252)	-	(2,724,252)	-
(15,840,956)	-	(15,840,956)	-
-	3,343,640	3,343,640	-
-	3,343,640	3,343,640	-
(15,840,956)	3,343,640	(12,497,316)	-
			(806,454)
			(806,454)
8,209,164	-	8,209,164	-
4,709,696	-	4,709,696	1,569,899
3,505,463	-	3,505,463	-
172,118	-	172,118	-
121,903	2,875	124,778	1,332
112,348	20,934	133,282	4,093
64,980	19,983	84,963	-
528,752	(528,752)	-	-
17,424,424	(484,960)	16,939,464	1,575,324
1,583,468	2,858,680	4,442,148	768,870
36,968,660	26,466,580	63,435,240	1,355,000
(3,146,051)	-	(3,146,051)	-
$ 35,406,077	$ 29,325,260	$ 64,731,337	$ 2,123,870

CITY OF FORNEY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Roadway Impact Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,008,079	$ -	$ -	$ 7,143,182	$ -	$ 10,151,261
Investments	5,810,015	-	-	1,424,743	-	7,234,758
Restricted cash and investments	126,915	4,155,127	2,185,265	336,679	110,290	6,914,276
Taxes receivable, net	976,852	105,913	-	-	-	1,082,765
Due from other governments	-	24,978,337	-	-	-	24,978,337
Accounts receivable	156,506	-	-	-	-	156,506
Due from other funds	-	-	-	784,855	-	784,855
Total assets	10,078,367	29,239,377	2,185,265	9,689,459	110,290	51,302,758
LIABILITIES						
Accounts payable	150,468	-	-	814,184	-	964,652
Accrued salaries and wages	363,675	-	-	-	-	363,675
Due to other funds	2,920,358	-	-	-	-	2,920,358
Due to component unit	46,721	-	-	-	-	46,721
Due to other governments	29,828	-	-	-	-	29,828
Total liabilities	3,511,050	-	-	814,184	-	4,325,234
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	146,296	25,077,881	-	-	-	25,224,177
Total deferred inflows of resources	146,296	25,077,881	-	-	-	25,224,177
FUND BALANCES						
Restricted for:						
Debt service	-	4,161,496	-	-	-	4,161,496
Use of impact fees	-	-	2,185,265	-	-	2,185,265
Capital improvements	-	-	-	4,422,008	-	4,422,008
Municipal court use	126,146	-	-	-	-	126,146
Tourism	-	-	-	-	110,290	110,290
Committed for:						
Police	63,684	-	-	-	-	63,684
Assigned for:						
General reserve	3,252,949	-	-	-	-	3,252,949
Capital improvements	-	-	-	4,453,267	-	4,453,267
Subsequent year's budget	1,635,090	-	-	-	-	1,635,090
Unassigned:	1,343,152	-	-	-	-	1,343,152
Total fund balances	6,421,021	4,161,496	2,185,265	8,875,275	110,290	21,753,347
Total liabilities, deferred inflows, and fund balances	$ 10,078,367	$ 29,239,377	$ 2,185,265	$ 9,689,459	$ 110,290	$ 51,302,758

The accompanying notes are an integral part of these financial statements.

CITY OF FORNEY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances - governmental funds		$ 21,753,347
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		54,322,610
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements		
Property taxes	125,878	
Property tax penalties and interest	75,839	
Court fines and fees	44,123	
Pass-through toll grant	24,978,337	
		25,224,177
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.		(355,433)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds, the premium on issuance of bonds and deferred resource outflows (inflows) related to the net pension liability are not reported in the funds.		
Bonds payable	(61,325,000)	
Premiums and discounts on bonds payable	(1,413,881)	
Notes payable	(189,305)	
Compensated absences	(434,240)	
Net pension liability	(3,262,579)	
Deferred loss on bond refunding	240,210	
Deferred outflows and inflows related to pension	846,171	
		(65,538,624)
Net position of governmental activities		$ 35,406,077

The accompanying notes are an integral part of these financial statements.

CITY OF FORNEY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Roadway Impact Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 4,033,779	$ 4,015,075	$ -	$ 45,450	$ -	$ 8,094,304
Sales taxes	4,709,696	-	-	-	-	4,709,696
Hotel/motel taxes	-	-	-	-	126,752	126,752
Franchise taxes	3,505,463	-	-	-	-	3,505,463
Beverage taxes	45,366	-	-	-	-	45,366
Licenses and permits	712,457	-	-	-	-	712,457
Intergovernmental revenues	-	4,019,000	-	-	-	4,019,000
Charges for services	1,187,352	-	-	-	-	1,187,352
Impact fees	-	-	287,078	-	-	287,078
Fines and forfeitures	279,553	-	-	-	-	279,553
Investments earnings	71,331	11,514	5,844	23,659	-	112,348
Contributions and donations	28,843	-	-	400,000	-	428,843
Miscellaneous	127,566	-	-	215,001	28,494	371,061
Total revenues	14,701,406	8,045,589	292,922	684,110	155,246	23,879,273
EXPENDITURES						
Current:						
General government	3,341,202	-	-	-	60,150	3,401,352
Public safety	6,725,645	-	-	-	-	6,725,645
Public works	1,146,561	-	-	-	-	1,146,561
Public services and operations	669,532	-	-	-	-	669,532
Culture and recreation	1,243,090	-	-	-	-	1,243,090
Debt service:						
Principal	-	5,449,508	-	-	-	5,449,508
Interest	-	2,716,974	-	-	-	2,716,974
Bond issuance costs	-	95,819	-	40,000	-	135,819
Capital outlay	-	-	-	5,387,862	-	5,387,862
Intergovernmental	46,531	-	-	-	-	46,531
Total expenditures	13,172,561	8,262,301	-	5,427,862	60,150	26,922,874
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,528,845	(216,712)	292,922	(4,743,752)	95,096	(3,043,601)
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt	-	8,220,000	-	2,500,000	-	10,720,000
Payments to refunding escrow agent	-	(8,667,653)	-	-	-	(8,667,653)
Premium on sale of bonds	-	548,274	-	40,000	-	588,274
Transfers in	595,086	50,293	-	1,768,695	-	2,414,074
Transfers out	(1,756,653)	(72,178)	-	-	(56,491)	(1,885,322)
Sale of capital assets	64,980	-	-	-	-	64,980
Total other financing sources (uses)	(1,096,587)	78,736	-	4,308,695	(56,491)	3,234,353
NET CHANGE IN FUND BALANCE	432,258	(137,976)	292,922	(435,057)	38,605	190,752
FUND BALANCE - BEGINNING	5,988,763	4,299,472	1,892,343	9,310,332	71,685	21,562,595
FUND BALANCE - ENDING	$ 6,421,021	$ 4,161,496	$ 2,185,265	$ 8,875,275	$ 110,290	$ 21,753,347

The accompanying notes are an integral part of these financial statements.

CITY OF FORNEY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds:	$	190,752
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays for the fiscal year.		4,619,835
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(	2,117,652)
Current year long-term debt principal payments on contractual obligations, bonds payable and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.		5,449,508
Current year bond proceeds are other financing sources in the governmental funds financial statements but are shown as an increase in liabilities in the government-wide financial statements.	(	11,308,274)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(	209)
Premiums, discounts and deferred losses on refunding are recognized in the fund financial statements as other and shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.		8,796,403
Current year changes in long-term liabilities for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		36,476
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(	3,948,637)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows and inflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.	(	134,734)
Change in net position - statement of activities	$	1,583,468

The accompanying notes are an integral part of these financial statements.

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CITY OF FORNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	$ 3,955,102	$ 3,957,000	$ 4,033,779	$ 76,779
Sales taxes	4,242,945	4,628,306	4,709,696	81,390
Franchise taxes	3,345,000	3,499,000	3,505,463	6,463
Beverage taxes	38,000	42,942	45,366	2,424
Licenses and permits	494,400	699,100	712,457	13,357
Charges for services	485,677	1,190,968	1,187,352	(3,616)
Fines and forfeitures	228,725	270,767	279,553	8,786
Investments earnings	15,000	75,300	71,331	(3,969)
Contributions and donations		-	28,843	28,843
Miscellaneous	71,146	95,859	127,566	31,707
Total revenues	12,875,995	14,459,242	14,701,406	242,164
EXPENDITURES				
Current:				
General government:				
Administration and public information	2,843,862	3,221,590	3,083,708	137,882
Municipal court	242,528	257,237	257,494	(257)
Public safety:				
Police	4,246,832	4,137,213	4,107,362	29,851
Fire	2,746,364	2,615,328	2,618,283	(2,955)
Public works:				
Streets	863,797	871,357	797,078	74,279
Planning and development	273,516	255,800	349,483	(93,683)
Public services and operations	707,103	706,193	462,409	243,784
Library	73,000	75,000	58,952	16,048
Animal control	186,941	153,347	148,171	5,176
Culture and recreation:				
Parks	1,201,511	1,192,274	1,243,090	(50,816)
Capital outlay	50,293	50,293	-	50,293
Intergovernmental	-	-	46,531	(46,531)
Total expenditures	13,435,747	13,535,632	13,172,561	363,071
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(559,752)	923,610	1,528,845	605,235
OTHER FINANCING SOURCES (USES)				
Transfers in	644,095	646,535	595,086	(51,449)
Transfers out	(1,504,896)	(1,573,213)	(1,756,653)	(183,440)
Sale of capital assets	-	64,981	64,980	(1)
Total other financing sources (uses)	(860,801)	(861,697)	(1,096,587)	(234,890)
NET CHANGE IN FUND BALANCE	(1,420,553)	61,913	432,258	370,345
FUND BALANCE - BEGINNING	5,988,763	5,988,763	5,988,763	-
FUND BALANCE - ENDING	$ 4,568,210	$ 6,050,676	$ 6,421,021	$ 370,345

The accompanying notes are an integral part of these financial statements.

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CITY OF FORNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 6,494,405
Investments	6,774,225
Restricted cash and cash equivalents	2,317,033
Accounts receivable, net	1,912,093
Due from other funds	2,135,503
Total current assets	19,633,259
Noncurrent assets:	
Capital assets not being depreciated	1,842,550
Capital assets (net of accumulated depreciation)	14,555,386
Total noncurrent assets	16,397,936
Total assets	36,031,195
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	48,224
Deferred resource outflow - TMRS	192,455
Total deferred outflows of resources	240,679
LIABILITIES	
Current liabilities:	
Accounts payable	314,877
Accrued liabilities	18,109
Accrued interest payable	22,720
Unearned revenue	86,043
Bonds and notes payable- current	540,000
Compensated absences - current	10,909
Due to other governments	2,198
Customer deposits	340,474
Total current liabilities	1,335,330
Noncurrent liabilities:	
Bonds payable	5,066,907
Compensated absences	32,727
Net pension liability	430,970
Total noncurrent liabilities	5,530,604
Total liabilities	6,865,934
DEFERRED INFLOWS OF RESOURCES	
Deferred resource inflow - TMRS	80,680
Total deferred inflows of resources	80,680
NET POSITION	
Net investment in capital assets	10,839,253
Restricted for user impact fees	1,530,912
Unrestricted	16,955,095
Total net position	$ 29,325,260

The accompanying notes are an integral part of these financial statements.

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CITY OF FORNEY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer sales	$ 12,620,864
Refuse collection	678,044
Impact fees	853,647
Miscellaneous revenue	2,875
Total operating revenues	14,155,430
OPERATING EXPENSES	
Personnel services	1,198,685
Supplies and materials	95,537
Maintenance and repair	502,184
Contracted services	436,435
Water purchases	6,513,325
Interceptor fees	677,347
Refuse collection	518,500
Deprecation	676,660
Total operating expenses	10,618,673
OPERATING INCOME	3,536,757
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	20,934
Gain on disposal of capital assets	19,983
Interest expense	(190,242)
Bond issuance costs	-
Total nonoperating revenues (expenses)	(149,325)
INCOME BEFORE TRANSFERS	3,387,432
Transfers in	21,843
Transfers out	(550,595)
CHANGE IN NET POSITION	2,858,680
TOTAL NET POSITION - BEGINNING	26,466,580
TOTAL NET POSITION - ENDING	$ 29,325,260

The accompanying notes are an integral part of these financial statements.

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CITY OF FORNEY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR END SEPTEMBER 30, 2016

	Business-Type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 14,205,726
Payments to suppliers and service providers	(8,985,785)
Payments to employees for salaries and benefits	(1,207,581)
Net cash provided by (used for) operating activities	4,012,360
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in from other funds	21,843
Transfers out to other funds	(550,595)
Net cash provided by (used for) noncapital financing activities	(528,752)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,059,947)
Proceeds from the disposal of capital assets	21,840
Payments on long-term debt	(530,000)
Interest paid on capital debt	(190,716)
Net cash provided by (used for) capital and related financing activities	(2,758,823)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	20,934
Purchase of investments	(2,500,000)
Net cash provided by (used for) investing activities	(2,479,066)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,754,281)
CASH AND CASH EQUIVALENTS - BEGINNING	10,565,719
CASH AND CASH EQUIVALENTS - ENDING	8,811,438
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	3,536,757
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	676,660
(Increase) decrease in accounts receivable	8,018
(Increase) decrease in interfund receivables	1
Increase (decrease) in accounts payable	(296,902)
Increase (decrease) in accrued liabilities	7,307
Increase (decrease) in other liabilities	(4,244)
Increase (decrease) in customer deposits	21,465
Increase (decrease) in unearned revenues	46,521
Increase (decrease) in net pension liability	25,986
Increase (decrease) in compensated absences	(9,209)
Total adjustments	475,603
Net cash provided by (used for) operating activities	$ 4,012,360

The accompanying notes are an integral part of these financial statements.

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CITY OF FORNEY, TEXAS

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2016

	Agency Developers Escrow
ASSETS	
Cash and cash equivalents	$ 1,913,627
Total assets	1,913,627
LIABILITIES	
Developer's Escrow	1,913,627
Total liabilities	$ 1,913,627

The accompanying notes are an integral part of these financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Forney ("City") was originally incorporated in 1910 and operates under a home rule charter adopted in an election held November 4, 1997 and a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. Some of the services provided are: public safety (police and fire protection), municipal court, streets, engineering, water distribution, sewer collection, recreation, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accounts in the publication entitled State and Local Governments-Audit and Accounting Guide and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

A. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units."

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significant of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the city appoints a voting majority of an organizations' governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements.

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.

2. The primary government, or its component units, is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.

3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely Presented Component Unit

The City has one component unit, Forney Economic Development Corporation ("EDC"). The EDC was incorporated September 15, 1994 and is governed by a seven-member board appointed by and serving at the pleasure of the City Council. Thus, the EDC is legally separate, but due to the City appointing the voting majority of the EDC board, it is classified as a discretely presented component unit. The funding for the EDC occurs by the City transferring ¼ of City sales tax collections to the EDC. Adding the creation of the EDC to the resources currently available will more than double the current ability to assist economic development prospects. All of the EDC funding can be used for direct assistance to business prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements are also issued by the EDC. These financial statements can be obtained by contacting the Forney EDC located at 101 E. Main St., Forney, Texas 75125.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement applied. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements and fiduciary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, franchise taxes, hotel occupancy taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and municipal golf course are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds:

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from this fund.

The ***Debt Service Fund*** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The ***Roadway Impact Fund*** accounts for the resources accumulated in the form of roadway impact fees for maintenance and operations of infrastructure and future projects.

The ***Capital Projects Fund*** accounts for the acquisition or construction of infrastructure and building projects being financed from bond proceeds, grants, and transfers from other funds.

Proprietary funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City

The Utility Fund accounts for the operation of the City's water and sanitary sewer utility and trash collection which are self-supporting activities rendering services on a user-charge basis.

Agency funds:

Agency funds account for amounts held on behalf of others by the City as a trustee, or fiduciary. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use them to finance its operations. The City is responsible for ensuring that the assets reported as used for their intended purpose. The following is a description of the fiduciary fund of the City.

The Developers Escrow Fund is used to account for assets held by the City in an agency capacity for developers. This fiduciary fund records only assets and liabilities and therefore has no measurement focus.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, and then use the unrestricted resources as needed.

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

Cash of all funds is pooled into a common interest-bearing bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

For purposes of the statement of cash flows, proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method. The City does not have any prepaid items in the current fiscal year.

3. Interfund Transactions, Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts, and are reported as "due to/from other funds."

4. Property Taxes and Other Receivables

Property Taxes

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review established appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, of the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceed the rate of the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed value. The City's property tax rate for the current fiscal year is $0.698483 per $100 assessed value.

Allowances for Uncollectible Accounts

Governmental trade and property tax receivables are shown net of an allowance for uncollectibles. All other allowances for uncollectible accounts are based on historical collection rates. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last 20 years.

The allowance for uncollectible accounts for utility billing in the enterprise fund is estimated based on a percentage of aged balances outstanding.

5. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customer deposits received for water and wastewater services are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

6. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund financial statements. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Donated capital assets are recorded at acquisition cost at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	10-40
Buildings	20-50
Building Improvements	10-25
Vehicles	5
Office Equipment	5
Machinery and Equipment	5-10

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

8. Long-term Debt

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of items, which arises only under a full accrual basis of accounting that qualify for reporting in this category. Accordingly, the items deferred loss on bond refunding and deferred resource outflows related to the City's pension are reported in the statements of net position. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of a net position that applies to that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and notes receivable from TX DOT. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the City has one type of deferred inflow of resources that is required to be reported under the full accrual basis of accounting. This item, deferred resource inflows related to the City's pension, is reported in the statements of net position.

10. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City Council can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City Manager per the City's Fund Balance Policy.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

It is the City's goal to achieve and maintain an unassigned fund balance in the General Fund equal to 5% of yearly expenditures. The City considers a balance of less than 5% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance. The City is in compliance with this policy at the end of the current fiscal year.

12. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budgeted to actual results. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

14. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

15. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

16. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. DEFICIT EQUITY BALANCES

There were no funds with a deficit equity balance.

3. BUDGETS AND BUDGETARY ACCOUNTING

The City's Home Rule Charter provides for the submission of the budget to the City Council by the City Manager. The City's fiscal year runs October 1 through September 30.
The following procedures are followed in establishing the budgetary data:

- No later than August 1st, the City management submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to September 30, the budget is legally enacted through passage of an ordinance.

- Budgets for the General Fund, Debt Service Fund, Roadway Impact Fund and Capital Projects Fund are legally adopted on a basis consistent with generally accepted accounting principles. The majority of the City's Capital Projects Funds are budgeted on an annual basis. For budgeted capital projects not expended during the fiscal year, the City will roll those balances into the following year's budget.

- According to the City Charter, total estimated expenditures of the General Fund are to be budgeted.

- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager, Assistant City Manager or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

4. CASH AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of September 30, 2016, the City had the following cash and investments:

		Fair Value Measurement Using			Weighted Average Maturity
	9/30/2016	(Level 1)	(Level 2)	(Level 3)	(Days)
Primary government					
Cash and cash equivalents					
Cash deposits - City	$ 3,527,689				
Certificates of deposit	1,355,063				
Total cash and cash equivalents	4,882,752				
Investment pools:					
TexPool	18,175,640				42
TexStar	4,723,635				39
Total investment pools	22,899,275				
Investments by fair value level:					
Debt securities:					
Municipal Bonds	$ 2,511,639	$ -	$ 2,511,639	$ -	193
Federal Farm Credit Bonds	1,001,300	501,525	499,775	-	282
Federal Home Loan Bank Bonds	2,002,624	1,002,237	1,000,387	-	180
Federal Home Loan Mortgage Corp.	8,001,741	2,000,728	6,001,013		452
U.S. Treasury Note	500,254	500,254	-	-	46
Total debt securities	14,017,558	4,004,744	10,012,814	-	
Total cash and investments of the primary government	$ 41,799,585	$ 4,004,744	$ 10,012,814	$ -	
Portfolio weighted average maturity (days)					155
Component unit					
Cash deposits	$ 944,459				
Certificates of deposit	6,618				
Investment pools:					
TexPool	1,280,521				42
Total cash and investments of the component unit	2,231,598				
Total cash and investments of the reporting entity	$ 44,031,183				

The City invests in external investment pools with a credit rating of AAAm.

Analysis of Specific Deposit and Investment Risks

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end, the City was not significantly exposed to credit risk.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

As of September 30, 2016, the City's deposit balances were fully collateralized by securities held by the financial institution in the City's name or by Federal Deposit Insurance Corporation ("FDIC") insurance.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

5. RECEIVABLES

Receivables as of year-end for the City's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds		Proprietary	
	General	Debt Service	Utility	Total
Accounts	$ 332,996	$ -	$ 2,124,085	$ 2,457,081
Taxes	988,806	117,682	-	1,106,488
Gross Receivables	1,321,802	117,682	2,124,085	3,563,569
Less: Allowance for uncollectibles	(188,444)	(11,769)	(211,992)	(412,205)
Net receivables	$ 1,133,358	$ 105,913	$ 1,912,093	$ 3,151,364

6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental activities:	Beginning Balance	Additions	Retirements	Adjustments/ Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 4,611,448	$ -		$ -	$ 4,611,448
Construction in progress	3,654,432	4,418,319	-	(3,220,477)	4,852,274
Total assets not being depreciated	8,265,880	4,418,319	-	(3,220,477)	9,463,722
Capital assets, being depreciated:					
Buildings and improvements	17,294,745	-	-	759,700	18,054,445
Machinery and equipment	7,875,713	201,516	(121,323)	35,718	7,991,624
Infrastructure	39,063,489	-	-	(2,214,217)	36,849,272
Total capital assets being depreciated	64,233,947	201,516	(121,323)	(1,418,799)	62,895,341
Less accumulated depreciation:					
Buildings and improvements	(3,633,098)	(444,605)	-	29,466	(4,048,237)
Machinery and equipment	(4,612,168)	(616,450)	121,323	(39,440)	(5,146,735)
Infrastructure	(9,288,083)	(1,056,597)	-	1,503,199	(8,841,481)
Total accumulated depreciation	(17,533,349)	(2,117,652)	121,323	1,493,225	(18,036,453)
Total capital assets being depreciated, net	46,700,598	(1,916,136)	-	74,426	44,858,888
Governmental activities capital assets, net	$ 54,966,478	$ 2,502,183	$ -	$(3,146,051)	$ 54,322,610

Business-type activities:	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 703,953	$ -	$ -	$ -	$ 703,953
Construction in progress	1,592,018	1,893,502	(1,285)	(2,345,638)	1,138,597
Total assets not being depreciated	2,295,971	1,893,502	(1,285)	(2,345,638)	1,842,550
Capital assets, being depreciated:					
Sewer plant & infrastructure	5,821,237	-	-	1,558,271	7,379,508
Water plant & infrastructure	14,459,279	-	-	787,367	15,246,646
Machinery and equipment	1,442,967	166,445	(184,878)	-	1,424,534
Total capital assets being depreciated	21,723,483	166,445	(184,878)	2,345,638	24,050,688
Less accumulated depreciation:					
Sewer plant & infrastructure	(2,359,284)	(175,464)	-	-	(2,534,748)
Water plant & infrastructure	(5,449,681)	(397,284)	-	-	(5,846,965)
Machinery and equipment	(1,193,983)	(103,912)	184,306	-	(1,113,589)
Total accumulated depreciation	(9,002,948)	(676,660)	184,306	-	(9,495,302)
Total capital assets being depreciated, net	12,720,535	(510,215)	(572)	2,345,638	14,555,386
Business-type activities capital assets, net	$ 15,016,506	$ 1,383,287	$(1,857)	$ -	$ 16,397,936

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 548,472
Public safety	1,141,414
Public works	213,883
Culture and recreation	213,883
Total depreciation expense - governmental activities	$ 2,117,652
Business-type activities:	
Utility	$ 676,660
Total depreciation expense - business-type activities	$ 676,660

Capital asset activity for the discretely presented component unit, Forney EDC, as of September 30, 2016, is as follows:

Component Unit - Forney EDC	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 377,429	$ -	$ -	$ -	$ 377,429
Construction in progress	720,794	267,676	-	(867,818)	120,652
Total assets not being depreciated	1,098,223	267,676	-	(867,818)	498,081
Capital assets, being depreciated:					
Buildings and improvements	644,081	-	-	867,818	1,511,899
Machinery, furniture and equipment	13,381	-	-	-	13,381
Total capital assets being depreciated	657,462	-	-	867,818	1,525,280
Less accumulated depreciation:					
Buildings and improvements	(157,497)	(57,720)	-	-	(215,217)
Machinery, furniture and equipment	(7,988)	(2,009)	-	-	(9,997)
Total accumulated depreciation	(165,485)	(59,729)	-	-	(225,214)
Total capital assets being depreciated, net	491,977	(59,729)	-	867,818	1,300,066
Business-type activities capital assets, net	$ 1,590,200	$ 207,947	$ -	$ -	$ 1,798,147

7. CONSTRUCTION COMMITMENTS

The City has several active construction projects as of September 30, 2016. The projects include street infrastructure, water/sewer infrastructure improvements, park improvements, and building improvements.

A summary of these projects as of September 30, 2016 included the following:

Project	Remaining Commitment
Street improvements	$ 3,736,654
Animal shelter	1,912,591
Parks improvements	6,811
Fire Station #2	1,365,801
Other community projects	225,095
Water/sewer line infrastructure projects	8,553,728
Total	$ 15,800,680

8. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2016, is as follows:

Governmental activities:	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
General obligation bonds and certificates of obligation	$ 34,805,000	$ 10,720,000	$(10,470,000)	$ 35,055,000	$ 2,310,000
Pass-through toll revenue and limited tax bond	29,680,000	-	(3,410,000)	26,270,000	1,510,000
Plus:					
Issuance premiums	1,501,988	588,274	(317,218)	1,773,044	-
Less:					
Issuance discounts	(384,427)	-	25,264	(359,163)	-
Total bonds payable	65,602,561	11,308,274	(14,171,954)	62,738,881	3,820,000
Notes payable	233,813	-	(44,508)	189,305	45,597
Compensated absences	470,716	335,067	(371,543)	434,240	108,560
TMRS Liability	3,153,926	1,000,621	(891,968)	3,262,579	-
Total governmental long-term liabilities	$ 69,461,016	$ 12,643,962	$(15,479,973)	$ 66,625,005	$ 3,974,157

Business-type activities:	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
Utility Fund:					
General obligation and certificate of obligation	$ 6,100,000	$ -	$(530,000)	$ 5,570,000	$ 540,000
Plus:					
Issuance premiums	41,008	-	(4,101)	36,907	-
Total bonds payable	6,141,008	-	(534,101)	5,606,907	540,000
Compensated absences	52,845	30,561	(39,770)	43,636	10,909
TMRS Liability	405,297	143,498	(117,825)	430,970	-
Total business-type long-term liabilities	$ 6,599,150	$ 174,059	$(691,696)	$ 6,081,513	$ 550,909

The liability for compensated absences is liquidated by the General fund with an estimated 86% and the Utility Fund is responsible for the remaining 14%.

Governmental Long-Term Debt

Description	Interest Rates	Amounts Issued	Amounts Outstanding September 30, 2016
General Obligation Bonds, Series 2007	4.25% - 5.25%	$ 26,305,000	$ 1,335,000
Pass-through Toll Revenue & Limited Tax Bonds, Series 2008	3.75 - 5.25%	39,605,000	26,270,000
General Obligation Bonds, Series 2011	4.0% - 4.25%	2,295,000	2,295,000
Certificates of Obligation, Series 2011	2.0% - 4.125%	3,685,000	3,285,000
Certificates of Obligation, Series 2012	1.0% - 3.0%	1,030,000	870,000
General Obligation Bonds, Series 2012	.4% - 1.9%	2,235,000	1,535,000
Certificates of Obligation, Series 2014	2.0% - 4.0%	4,945,000	4,845,000
General Obligation Bonds, Series 2014	2.0% - 3.5%	2,150,000	1,945,000
General Obligation Bonds, Series 2015	3.5% - 4.0%	8,585,000	8,585,000
Certificates of Obligation, Series 2016	2.0% - 3.0%	2,500,000	2,500,000
General Obligation Bonds, Series 2016	2.0% - 4.0%	8,220,000	8,220,000
Total Bonds Payable		$ 101,555,000	$ 61,685,000

Debt service requirements are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	$ 3,820,000	$ 2,315,362	$ 6,135,362
2018	3,955,000	2,205,668	6,160,668
2019	4,075,000	2,083,530	6,158,530
2020	4,205,000	1,951,218	6,156,218
2021	4,290,000	1,811,755	6,101,755
2022-2026	23,555,000	6,450,502	30,005,502
2027-2031	12,010,000	2,412,947	14,422,947
2032-2036	5,775,000	346,709	6,121,709
Total	$ 61,685,000	$ 19,577,690	$ 81,262,690

A brief discussion of each bond issuance follows:

$26,305,000 Series 2007 Tax Supported General Obligation bonds issued September 27, 2007 for the purpose of construction of the Justice Center and community park – Phase 1.

$39,605,000 Series 2008 Pass-through toll revenue and limited tax revenue bonds issued July 1, 2008 for the purpose of improvement to certain state highway facilities and roadways.

$2,295,000 Series 2011 General Obligation Refunding bonds issued August 2, 2011 for the purpose of refinancing portions of the 2005 CO, 2007 CO and 2008 Pass Through Toll Revenues Bonds.

$3,685,000 Series 2011 Certificate of Obligations bonds issued August 2, 2011 for the purpose of improvements to infrastructure for streets and parks and design of new fire station.

$2,235,000 Series 2012 General Obligation bonds issued November 6, 2012 for the purpose of refinancing the 2000B CO portions of the 2003 CO.

$1,030,000 Series 2012 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificate of Obligations issued November 6, 2012 for the purpose of land acquisition.
$4,945,000 Series 2014 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificate of Obligations issued November 4, 2014 for the purpose of constructing and equipping a new fire station and an animal shelter.

$3,440,000 Series 2014 General Obligation Refunding Bonds issued November 1, 2014 for the purpose of refinancing portions of the 2005A Certificates of Obligations.

$8,585,000 Series 2015 General Obligation Refunding Bonds issued June 1, 2015 for the purpose of refinancing portions of the 2007 General Obligation Bonds.

$8,220,000 Series 2016 General Obligation Refunding Bonds issued August 2, 2016 for the purpose of refinancing portions of the 2007 General Obligation Bonds.

$2,500,000 Series 2016 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation issued for the purpose of improvement to certain roadways.

Note Payable

The City incurred a note payable with Government Capital Corporation in the amount of $440,702 for the purchase of a pumper fire truck on April 6, 2009. This note is to be repaid over a period of 10 years with annual payments of $50,293. The Kaufman County Fire District has agreed to reimburse the City 50% of each payment.

Debt service requirements for this note payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	$ 45,597	$ 4,696	$ 50,293
2018	46,737	3,555	50,292
2019	48,486	1,807	50,293
2020	48,485	1,807	50,292
Totals	$ 189,305	$ 11,865	$ 201,170

Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30, 2016
General Obligation Bonds, Series 2011A	.8% - 3.75%	$ 1,635,000	$ 765,000
Certificates of Obligation, Series 2011	2.0% - 4.125%	2,990,000	2,425,000
General Obligation Bonds, Series 2014	2.0% - 3.5%	1,290,000	1,170,000
General Obligation Bonds, Series 2014A	2.0% - 3.5%	1,350,000	1,210,000
Total Long Term Obligations		$ 7,265,000	$ 5,570,000

Debt service requirements are as follows:

Year Ending	Business-type Activities		
September 30,	Principal	Interest	Total
2017	$ 540,000	$ 176,734	$ 716,734
2018	550,000	161,632	711,632
2019	570,000	145,920	715,920
2020	590,000	128,976	718,976
2021	405,000	109,676	514,676
2022-2026	1,945,000	346,183	2,291,183
2027-2031	970,000	101,881	1,071,881
Total	$ 5,570,000	$ 1,171,002	$ 6,741,002

A brief discussion of each bond issuance follows:

$1,635,000 Series 2011A General Obligation Refunding bonds issued August 2, 2011 for the purpose of refinancing the 2000A CO and a portion of the 2005A CO.

$2,990,000 Series 2011 Combination Tax and Revenue Certificates of Obligation bonds issued August 2, 2011 for the purpose of infrastructure improvements to the water system.

$3,440,000 Series 2014 General Obligation Refunding Bonds issued November 1, 2014 for the purpose of refinancing portions of the 2005A Certificates of Obligations.

$1,350,000 Series 2014A General Obligation Refunding Bonds issued November 1, 2014 for the purpose of refinancing portions of the 2005B Certificates of Obligations.

Advance Refunding of Debt

On August 2, 2016, the City issued General Obligation Refunding Bonds, Series 2016 in the amount of $8,220,000 with stated interest rates ranging from 2.0% to 4.0%. These bonds were issued in order to advance refund $8,475,000 of General Obligation Bonds, Series 2007. The net proceeds from the bonds were placed in an irrevocable trust with an escrow agent to provide funds for the early redemption of the bonds on February 15, 2017. The reacquisition price exceeded the carrying amount of the old debt by $53,729. This amount is being reported as a deferred outflow of resources in the governmental activities on the Statement of Net Position and will be amortized over the remaining life of the refunded debt. The City refunded the Series 2007 bonds in order to reduce the total debt service payments by $955,088 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $904,927.

Component Unit Long-term Debt

On September 19, 2013, the Forney EDC issued $2,000,000 of Sales Tax Revenue Bonds, Series 2013. These bonds were issued for the acquisition, improvement and equipment of land, buildings, and facilities to lease or sell to businesses in downtown Forney. Interest rates on the debt are set at 4.25% and final maturity will be in fiscal year 2032.

Component Unit - Forney EDC:	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
Series 2013 Sales Tax Revenue Bond	$ 2,000,000	$ -	$ -	$ 2,000,000	$ 85,000
Total bonds payable	6,141,008	-	-	2,000,000	85,000
Notes payable	406,747	-	(249,121)	157,626	8,413
Compensated absences	4,391	5,463	(53)	9,801	2,450
TMRS Liability	65,979	23,649	(19,243)	70,385	-
Total business-type long-term liabilities	$ 6,599,150	$ 29,112	$(268,417)	$ 2,237,812	$ 95,863

Debt service requirements are as follows:

Year Ending September 30,	Component Unit - Forney EDC Principal	Interest	Total
2017	$ 85,000	$ 92,253	$ 177,253
2018	90,000	88,640	178,640
2019	95,000	84,815	179,815
2020	100,000	80,778	180,778
2021	100,000	76,528	176,528
2022-2026	600,000	312,201	912,201
2027-2031	755,000	161,388	916,388
2032	175,000	8,925	183,925
Total	$ 2,000,000	$ 905,528	$ 2,721,603

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from other funds

Due to	Due from General Fund
Capital projects fund	$ 784,855
Utility fund	2,135,503
Total	$ 2,920,358

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less. Similar transactions such as this also exist between the primary government and the City's discretely presented component unit. The balances due to and due from component unit and primary government at September 30, 2016 consisted of the following:

Due to	Due from
	General Fund
Forney EDC	$ 46,721
Total	$ 46,721

Interfund Transfers

The primary purpose of interfund transfers is the transfer of funds from one fund to support expenditures of another fund in accordance with the authority established for the individual fund.

A summary of interfund transfers by fund type is as follows:

Transfers in	Transfers out				
	General	Debt Service	Non Major	Utility	Total
General	$ -	$ -	$ 56,491	$ 538,595	$ 595,086
Utility	21,843	-	-	-	21,843
Debt service	50,293	-	-	-	50,293
Capital Project	1,684,517	72,178	-	12,000	1,768,695
Total	$ 1,756,653	$ 72,178	$ 56,491	$ 550,595	$ 2,435,917

Transfers from the various funds to the capital projects fund are made in order to fund capital projects or other capital purchases. The Utility Fund transfers out an administrative transfer to the General Fund each year. For fiscal year 2016 this transfer amounted to $538,595. Transfers made from the non-major governmental funds to the General Fund were made to cover the costs of special projects included in the General Fund. Additionally, funds were transferred from the General Fund to the Debt Service Fund to cover the costs related to the principal and interest for the notes payable reported by the governmental activities.

10. DEFINED BENEFIT PENSION POLICIES

Plan Descriptions

The City of Forney participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	35
Active employees	128
	179

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Forney were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Forney were 12.25% and 14.18% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were $1,098,573, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$ 16,499,844	$ 12,874,641	$ 3,625,203
Changes for the year:			
Service cost	1,293,191	-	1,293,191
Interest	1,191,818	-	1,191,818
Difference between expected and actual experience	(744,030)	-	(744,030)
Changes of assumptions	(58,600)	-	(58,600)
Contributions - employer	-	1,028,802	(1,028,802)
Contributions - employee	-	507,987	(507,987)
Net investment income	-	19,002	(19,002)
Benefit payments, including refunds of employee contributions	(240,931)	(240,931)	-
Administrative expense	-	(11,571)	11,571
Other changes	-	(572)	572
Net changes	1,441,448	1,302,717	138,731
Balance at 12/31/2015	$ 17,941,292	$ 14,177,358	$ 3,763,934

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 7,152,108	$ 3,763,934	$ 1,069,413

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.com*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016 the city recognized pension expense of $1,207,471.

At September 30, 2016 the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 78,432	$ 653,184
Changes in actuarial assumptions	-	51,445
Difference between projected and actual investment earnings	791,910	-
Contributions subsequent to the measurement date	810,488	-
Total	$ 1,680,830	$ 704,629

$810,488 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30,	
2017	$ 119,531
2018	119,531
2019	119,531
2020	90,820
2021	(85,624)
Thereafter	(198,076)
Total	$ 165,713

Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500. This coverage is an "other post-employment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were $8,355, $7,173, and $7,270, respectively, which equaled the required contributions for each year.

Health Care Coverage

During the year ended September 30, 2016, employees of the City were covered by a health insurance plan ("Plan"). The City contributed $462 per month per employee and 24% of the cost for dependent's coverage. Employees under contract received 50% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for their dependents. All contributions were paid to Blue Cross Blue Shield. The Plan was authorized by Article 3.51-2, Texas Insurance code, and is documented by contractual agreement.

Insurance Coverage

In accordance with state statue, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas, in accordance with the Texas Insurance code. Stop-loss coverage was in effect for individual claims exceeding $125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2013, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

11. RISK MANAGEMENT

The City of Forney is exposed to various risks of loss related to tort liability, theft of and damage to property and destruction of assets; public officials' errors and omissions; bodily injury and property damage; injury to employees and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium for TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continued to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

12. COMMITMENTS AND CONTINGENCIES

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City.

The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability that may arise as the result of these audits is not believed to be estimable or probable.

13. TXDOT RECEIVABLE

The Texas Department of Transportation has entered into a contract with the City of Forney to pay the City an annual amount of no less than $2,009,570 annually beginning in the year 2013 and ending in the year 2031. This payment is to reimburse the City for a portion of the costs associated with the construction of highway improvements to FM 740, FM 741 and US 80/FM 548 Interchange.

The City received a payment from TxDOT in the amount of $4,019,000 during the current fiscal year.

14. ADDITIONAL WATER AND SEWER INFORMATION

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	1,849,256,078
Gallons Billed	1,783,691,139

The City of Forney secures its water supply and sewer services from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"). The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contract with its member cities and customers. The Board is empowered by statue and contract, or otherwise permitted by laws, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee or rental due to the District. Because of the factors mentioned above, the District is not included in the City's basic financial statements.

The City purchases its water from the North Texas Municipal Water District (NTMWD"). Each year, NTMWD calculates the cost of water based upon the previous year's usage. The City currently pays $2.29 per thousand gallons for water with total cost for this current fiscal year being $3,814,896.

The City entered into a contract for wastewater treatment services with the District. The District has been designated by the Texas Water Quality Board as the regional agency to provide and develop a Regional System for Wastewater Treatment in the general are of the East Fork of the Trinity River, which includes the City of Forney and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the City of Forney and other cities have entered into wastewater system contracts with the District, which provide for the establishment, operation and maintenance of a Regional Wastewater System for the purpose of providing facilities to adequately receive, transport, treat and dispose of wastewater for the cities. In order to provide said service, the contract provides that (a) the District will acquire, design, construct and complete the system, repair, replace and/or extend the system to provide service to the cities; (b) in consideration of payments to be made under the contract, each of the cities shall have the right to discharge all of its wastewater from its sewage system into the District's system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) each city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an "Operation and Maintenance Component" and a "Bond Service Component." Each city's proportionate share of the annual requirement shall be a percentage obtained by dividing such city's estimated contributing flow to the system by the total estimated contributing flow to the system by all cities during such fiscal year. No city will exercise oversight responsibility for the District and no city is liable for the District's debt. The City of Forney's payment for the current fiscal period was $1,301,543.

15. PRIOR PERIOD ADJUSTMENT

Adjustments were made to capital assets in the governmental activities. These adjustments resulted in a decrease to the beginning net position of the governmental activities in the amount of $3,146,051.

REQUIRED
SUPPLEMENTARY INFORMATION

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CITY OF FORNEY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Plan Year	2014	2015
A. Total pension liability		
Service Cost	$ 1,126,842	$ 1,293,191
Interest (on the Total Pension Liability)	1,046,739	1,191,818
Difference between expected and actual experience	103,186	(744,030)
Changes in assumptions	-	(58,600)
Benefit payments, including refunds of employee contributions	(333,832)	(240,931)
Net change in total pension liability	1,942,935	1,441,448
Total pension liability - beginning	14,556,909	16,499,844
Total pension liability - ending (a)	16,499,844	17,941,292
B. Plan fiduciary net position		
Contributions - Employer	847,353	1,028,802
Contributions - Employee	484,123	507,987
Net Investment Income	643,314	19,002
Benefit payments, including refunds of employee contributions	(333,832)	(240,931)
Administrative Expenses	(6,714)	(11,571)
Other	(552)	(572)
Net change in plan fiduciary net position	1,633,692	1,302,717
Plan fiduciary net position - beginning	11,240,949	12,874,641
Plan fiduciary net position - ending (b)	12,874,641	14,177,358
C. Net pension liability - ending (a) - (b)	$ 3,625,203	$ 3,763,934
D. Plan fiduciary net position as a percentage of total pension liability	78.03%	79.02%
E. Covered employee payroll	$ 6,916,048	$ 7,256,961
F. Net position liability as a percentage of covered employee payroll	52.42%	51.87%

Note - GASB 68 requires 10 years of data to reported in this schedule. Additional years will be reported in subsequent years as the data becomes available.

CITY OF FORNEY, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fiscal Year	2014	2015	2016
Actuarial determined contribution	$ 847,216	$ 979,573	$ 1,098,573
Contributions in relation to the actuarially determined contribution	$ 847,216	$ 979,573	$ 1,098,573
Contribution deficiency (excess)	-	-	-
Covered employee payroll	6,004,927	6,916,048	7,779,767
Contributions as a percentage of covered employee payroll	14.11%	14.16%	14.12%

Note - GASB 68 requires 10 years of datat to reported in this schedule. Additional years will be reported in subsequent years as the data becomes available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information:

Notes	There were no benefit changes during the year.

COMBINING AND INDIVIDUAL STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures.

Trust Community Benefit Fund – to account for a one-time donation to the City from a business for the purpose of benefiting the community as a whole.

Hotel/Motel Fund – to account for revenue collected from hotels and motels located within the Forney city limits.

CITY OF FORNEY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Special Revenue Funds		
	Trust Community Benefit Fund	Hotel/Motel Fund	Total Non-Major Governmental Funds
ASSETS			
Restricted cash and investments	$ -	$ 110,290	$ 110,290
Total assets	-	110,290	110,290
FUND BALANCES			
Restricted for:			
Tourism	-	110,290	110,290
Total fund balances	$ -	$ 110,290	$ 110,290

CITY OF FORNEY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds		Total Non-Major Governmental Funds
	Trust Community Benefit Fund	Hotel/Motel Fund	
REVENUES			
Taxes:			
Hotel/motel taxes	$ -	$ 126,752	$ 126,752
Miscellaneous revenues	-	28,494	28,494
Total revenues	-	155,246	155,246
EXPENDITURES			
Current:			
General government	-	60,150	60,150
Total expenditures	-	60,150	60,150
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	95,096	95,096
OTHER FINANCING SOURCES (USES)			
Transfers out	(15)	(56,476)	(56,491)
Total other financing sources (uses)	(15)	(56,476)	(56,491)
NET CHANGE IN FUND BALANCE	(15)	38,620	38,605
FUND BALANCE - BEGINNING	15	71,670	71,685
FUND BALANCE - ENDING	$ -	$ 110,290	$ 110,290

CITY OF FORNEY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 3,873,776	$ 3,940,000	$ 4,015,075	$ 75,075
Intergovernmental revenue	4,019,140	4,019,140	4,019,000	(140)
Investment earnings	1,600	6,500	11,514	5,014
Total revenues	7,894,516	7,965,640	8,045,589	79,949
EXPENDITURES				
Debt service:				
Principal	3,450,000	5,405,000	5,449,508	(44,508)
Interest	2,741,394	2,741,144	2,716,974	24,170
Bond issuance cost	-	-	95,819	(95,819)
Total expenditures	6,191,394	8,146,144	8,262,301	(116,157)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,703,122	(180,504)	(216,712)	196,106
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	8,220,000	8,220,000
Payments to refunding escrow agent	-	-	(8,667,653)	(8,667,653)
Premium on sale of bonds	-	-	548,274	548,274
Transfers in	-	-	50,293	50,293
Transfers out	-	-	(72,178)	(72,178)
Total other financing sources (uses)	-	-	78,736	78,736
NET CHANGE IN FUND BALANCE	1,703,122	(180,504)	(137,976)	274,842
FUND BALANCE - BEGINNING	4,299,472	4,299,472	4,299,472	-
FUND BALANCE - ENDING	$ 6,002,594	$ 4,118,968	$ 4,161,496	$ 274,842

CITY OF FORNEY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROADWAY IMPACT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Impact fees	$ 110,000	$ 275,000	$ 287,078	$ 12,078
Investment earnings	700	4,800	5,844	1,044
Total revenues	110,700	279,800	292,922	13,122
EXPENDITURES				
Total expenditures	-	-	-	-
NET CHANGE IN FUND BALANCE	110,700	279,800	292,922	-
FUND BALANCE - BEGINNING	1,892,343	1,892,343	1,892,343	-
FUND BALANCE - ENDING	$ 2,003,043	$ 2,172,143	$ 2,185,265	$ 13,122

CITY OF FORNEY, TEXAS

BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charge for services	$ -	$ 200,000	$ 45,450	$(154,550)
Intergovernmental revenue	-	89,591	-	(89,591)
Investment income	20,000	23,000	23,659	659
Contributions and donations	-	-	400,000	400,000
Miscellaneous	-	15,000	215,001	200,001
Total revenues	20,000	327,591	684,110	356,519
EXPENDITURES				
Debt service:				
Bond issuance cost	-	-	40,000	(40,000)
Capital outlays	7,693,679	12,386,475	5,387,862	6,998,613
Total expenditures	7,693,679	12,386,475	5,427,862	6,958,613
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,673,679)	(12,058,884)	(4,743,752)	(6,602,094)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	2,500,000	2,500,000
Premium on sale of bonds	-	-	40,000	40,000
Transfer in	3,810,736	4,144,190	1,768,695	(2,375,495)
Total other financing sources (uses)	3,810,736	4,144,190	4,308,695	164,505
NET CHANGE IN FUND BALANCE	(3,862,943)	(7,914,694)	(435,057)	(6,437,589)
FUND BALANCE - BEGINNING	9,310,332	9,310,332	9,310,332	-
FUND BALANCE - ENDING	$ 5,447,389	$ 1,395,638	$ 8,875,275	$(6,437,589)

CITY OF FORNEY, TEXAS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Developers Escrow Fund	Balance September 30, 2015	Additions	Deductions	Balance September 30, 2016
ASSETS				
Cash and cash equivalents	$ 1,359,713	$ 617,117	$ 63,203	$ 1,913,627
Total assets	1,359,713	617,117	63,203	1,913,627
LIABILITIES				
Developers escrow	1,371,737	617,117	63,203	1,913,627
Total liabilities	$ 1,371,737	$ 617,117	$ 63,203	$ 1,913,627

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Forney, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	64
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	75
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	80
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	86
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	89

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FORNEY, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	$ 10,877,616	$ 15,408,839	$ 16,549,770	$ 19,965,326
Restricted	1,517,022	6,723,552	5,872,565	6,264,465
Unrestricted	7,538,970	13,896,300	13,180,725	14,167,079
Total Governmental Activities Net Position	19,933,608	36,028,691	35,603,060	40,396,870
Business-Type Activities				
Net investment in capital assets	10,855,270	10,493,291	11,173,852	11,643,483
Restricted	10,919,009	5,742,068	5,460,312	1,492,587
Unrestricted	1,243,232	(4,337,634)	(551,349)	(522,223)
Total Business-Type Activities Net Position	23,017,511	11,897,725	16,082,815	12,613,847
Primary Government				
Net investment in capital assets	21,732,886	25,902,130	27,723,622	31,608,809
Restricted	12,436,031	12,465,620	11,332,877	7,757,052
Unrestricted	8,782,202	9,558,666	12,629,376	13,644,856
Total Primary Government Net Position	$ 42,951,119	$ 47,926,416	$ 51,685,875	$ 53,010,717

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 24,463,665	$ 22,015,335	$ 20,440,755	$ 22,043,453	$ 24,513,186	$ 22,326,642
5,963,513	6,100,904	5,891,886	9,293,408	14,380,773	5,035,645
15,106,924	12,302,473	11,181,620	5,463,010	(1,925,299)	8,043,790
45,534,102	40,418,712	37,514,261	36,799,871	36,968,660	35,406,077
11,484,285	11,195,136	7,523,529	7,854,647	8,875,498	10,839,253
1,366,089	1,885,256	2,567,839	2,567,839	2,764,485	1,530,912
(2,070,285)	6,214,899	11,303,696	12,724,397	14,826,597	16,955,095
10,780,089	19,295,291	21,395,064	23,146,883	26,466,580	29,325,260
35,947,950	33,210,471	27,964,284	29,898,100	33,388,684	33,165,895
7,329,602	7,986,160	8,459,725	11,861,247	17,145,258	6,566,557
13,036,639	18,517,372	22,485,316	18,187,407	12,901,298	24,998,885
$ 56,314,191	$ 59,714,003	$ 58,909,325	$ 59,946,754	$ 63,435,240	$ 64,731,337

CITY OF FORNEY, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental activities:				
General government	$ 2,076,958	$ 2,236,199	$ 2,415,383	$ 2,763,652
Public safety	2,887,339	3,517,332	4,098,652	4,530,227
Public services	835,968	703,854	622,281	631,009
Parks and recreation	366,477	859,361	854,323	1,175,087
Public works	860,236	893,143	1,160,696	1,719,116
Library	26,322	38,496	61,785	55,126
Interest and other charges	287,629	1,950,246	3,497,973	3,291,337
Total governmental activities expenses	7,340,929	10,198,631	12,711,093	14,165,554
Business-type activities:				
Utility services	5,272,465	6,824,186	6,929,129	7,072,080
Total Business-type activities expenses	5,272,465	6,824,186	6,929,129	7,072,080
Total primary government expenses	12,613,394	17,022,817	19,640,222	21,237,634
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	150,780	-	-	-
Public safety	30,019	107,326	41,613	41,614
Public services	135,160	221,972	255,974	189,930
Parks and recreation	3,379	80,820	17,013	14,021
Public works	1,729,379	732,967	608,872	851,437
Operating grants and contributions	-	-	-	9,189
Capital grants and contributions	-	314,060	1,546,155	1,274,893
Total governmental activities program revenues	2,048,717	1,457,145	2,469,627	2,381,084
Business-type activities:				
Charge for services:				
Utility services	6,322,479	7,180,616	7,508,095	7,934,730
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	6,322,479	7,180,616	7,508,095	7,934,730
Total primary government program revenues	8,371,196	8,637,761	9,977,722	10,315,814
NET (EXPENSE)/REVENUE				
Governmental activities	(5,292,212)	(8,741,486)	(10,241,466)	(11,784,470)
Business-type activities	1,050,014	356,430	578,966	862,650
Total primary government program Net expenses	$(4,242,198)	$(8,385,056)	$(9,662,500)	$(10,921,820)

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 3,072,981	$ 3,190,509	$ 3,522,911	$ 5,050,743	$ 3,608,223	$ 4,018,323
4,563,278	4,965,163	5,541,583	6,303,710	8,024,153	8,665,081
592,412	674,292	805,895	694,924	714,490	704,984
1,509,593	1,648,290	1,816,378	1,699,022	1,365,528	1,460,278
1,464,864	1,375,175	4,934,265	1,655,935	1,342,998	1,367,982
56,500	36,318	37,585	-	-	-
3,234,846	3,349,236	3,427,876	3,105,300	3,157,842	2,724,252
14,494,834	15,238,983	20,086,493	18,509,634	18,213,234	18,940,900
7,649,451	7,619,760	8,441,451	9,208,184	9,883,212	10,808,915
7,649,451	7,619,760	8,441,451	9,208,184	9,883,212	10,808,915
22,144,285	22,858,743	28,527,944	27,717,818	28,096,446	29,749,815
43,591	81,575	18,791	354,410	282,119	11,232
119,848	429,399	352,579	589,819	512,794	717,622
229,016	263,913	290,170	-	-	-
35,403	61,060	41,325	39,684	37,748	59,384
758,730	928,726	1,930,659	686,221	3,273,590	1,682,863
-	11,736	159,563	340,391	348,145	7,350
2,524,726	1,424,420	1,017,157	37,000	33,317	621,493
3,711,314	3,200,829	3,810,244	2,047,525	4,487,713	3,099,944
9,177,539	10,239,362	11,625,160	11,525,477	13,506,550	14,152,555
17,526	-	-	-	-	-
-	-	184,276	-	-	-
9,195,065	10,239,362	11,809,436	11,525,477	13,506,550	14,152,555
12,906,379	13,440,191	15,619,680	13,573,002	17,994,263	17,252,499
(10,783,520)	(12,038,154)	(16,276,249)	(16,462,109)	(13,725,521)	(15,840,956)
1,545,614	2,619,602	3,367,985	2,317,293	3,623,338	3,343,640
$(9,237,906)	$(9,418,552)	$(12,908,264)	$(14,144,816)	$(10,102,183)	$(12,497,316)

CITY OF FORNEY, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes:				
Property taxes	$ 3,441,996	$ 5,683,918	$ 6,249,057	$ 6,261,166
Sales taxes	2,262,647	1,618,607	2,469,745	2,427,003
Franchise taxes	2,396,537	2,941,679	3,502,789	3,329,189
Other taxes	26,152	36,316	53,170	78,492
Investment income	660,274	1,650,472	548,250	89,764
Miscellaneous	263,336	143,676	113,730	51,208
Extraordinary item	-	-	-	-
Transfers	(2,612,520)	12,662,232	-	4,341,458
Total governmental activities	6,438,422	24,736,900	12,936,741	16,578,280
Business-type activities:				
Investment income	799,942	236,011	28,088	9,817
Miscellaneous	27,250	24,816	10,823	23
Transfers	2,612,520	(12,662,232)	-	(4,341,458)
Total Business-type activities	3,439,712	(12,401,405)	38,911	(4,331,618)
Total primary government	9,878,134	12,335,495	12,975,652	12,246,662
CHANGE IN NET POSITION				
Governmental activities	1,146,210	15,995,414	2,695,275	4,793,810
Business-type activities	4,489,726	(12,044,975)	617,877	(3,468,968)
Total primary government	$ 5,635,936	$ 3,950,439	$ 3,313,152	$ 1,324,842

TABLE 2
(continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 6,641,584	$ 6,890,290	$ 7,122,398	$ 7,289,819	$ 7,627,533	$ 8,209,164
2,580,493	2,723,236	3,407,923	3,839,949	4,212,896	4,709,696
3,341,680	3,598,611	3,638,053	3,717,733	3,653,796	3,505,463
90,584	91,702	112,614	41,273	38,333	172,118
55,452	36,117	63,815	51,115	155,264	112,348
115,801	64,964	68,611	56,497	59,995	186,883
(303,100)	-	(1,444,258)	-	-	-
3,398,260	(6,024,488)	402,642	601,333	458,247	528,752
15,920,754	7,380,432	13,371,798	15,597,719	16,206,064	17,424,424
7,999	6,261	6,475	31,350	48,010	20,934
10,888	456	2,450	4,509	403,669	22,858
(3,398,260)	6,024,488	(402,642)	(601,333)	(458,247)	(528,752)
(3,379,373)	6,031,205	(393,717)	(565,474)	(6,568)	(484,960)
12,541,381	13,411,637	12,978,081	15,032,245	16,199,496	16,939,464
5,137,234	(4,657,722)	(2,904,451)	(864,390)	2,480,543	1,583,468
(1,833,759)	8,650,807	2,974,268	1,751,819	3,616,770	2,858,680
$ 3,303,475	$ 3,993,085	$ 69,817	$ 887,429	$ 6,097,313	$ 4,442,148

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TABLE 3

CITY OF FORNEY, TEXAS

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEAR
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel Tax	Alcoholic Beverage Tax	Total
2007	$ 3,441,996	$ 2,262,647	$ 2,396,537	$ 17,241	$ 8,911	$ 6,709,432
2008	5,683,918 *	1,618,607 **	2,941,679	20,675	15,641	8,127,332
2009	6,249,060	2,469,745	3,502,789	36,912	16,258	10,280,520
2010	6,261,166	2,427,003	3,329,189	62,895	15,597	12,274,764
2011	6,641,584	2,580,493	3,341,680	71,041	19,543	12,095,850
2012	6,890,290	2,723,236	3,598,611	76,004	15,698	12,654,341
2013	7,122,398	3,407,923	3,638,053	90,504	22,110	13,303,839
2014	7,270,549	3,839,949	3,717,733	89,802	41,273	14,280,988
2015	7,698,456	4,144,445	3,653,796	99,404	38,333	15,634,434
2016	8,209,164	4,709,696	3,505,463	126,752	45,366	16,596,441

* Property Tax revenue increased due to 25% increase in property value, largely due to continued growth

** Sales tax revenue decreased due to downfall in economy

CITY OF FORNEY, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Nonspendable - prepaid items	$ -	$ -	$ -	$ -
Restricted for:				
Municipal Court	-	-	58,543	74,991
Committed for:				
Police	-	-	-	-
Capital improvements	26,592,136	-	-	-
Assigned for:				
Subsequent year's budget	-	-	-	-
General reserve	-	-	-	-
Unassigned	9,669,780	2,331,618	21,808,295	25,803,861
Total General Fund	36,261,916	2,331,618	21,808,295	25,878,852
All Other Governmental Funds				
Restricted for:				
Debt service	1,498,781	3,130,197	1,660,129	4,104,396
Use of impact fees	-	3,593,354	3,499,296	1,932,031
Capital improvements	-	67,330,571	19,129,399	12,516,492
Tourism	-	151,287	128,472	93,021
Municipal court use	-	-	-	-
Committed for:				
Capital improvements	-	-	-	-
Parks	-	-	526,125	-
Assigned for:				
Capital improvements	-	-	-	-
Equipment replacement	-	-	-	-
Special projects - donations	-	-	25,344	28,268
Community Benefit Fund	816,680	1,123,240	507,065	467,065
Total all other governmental funds	$ 2,315,471	$ 75,328,649	$ 25,475,830	$ 19,141,273

TABLE 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 11,479	$ -	$ -	$ -	$ -	$ -
88,888	82,119	86,439	86,439	114,180	126,146
90,517	65,334	69,930	69,930	50,566	63,684
-	-	-	-	-	-
-	-	-	-	-	1,635,090
-	-	1,893,207	1,893,207	3,133,053	3,252,949
30,428,183	6,515,661	2,961,848	3,819,842	2,690,964	1,343,152
30,619,067	6,663,114	5,011,424	5,869,418	5,988,763	6,421,021
3,463,517	3,763,823	4,067,297	4,304,860	4,299,472	4,161,496
2,067,137	1,972,624	1,481,780	1,742,291	1,892,343	2,185,265
180,213	9,987,634	4,867,416	3,342,822	9,310,332	4,422,008
99,062	110,783	124,050	108,452	71,670	110,290
-	-	-	-	-	-
-	-	1,513,856	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,453,267
-	-	183,112	-	-	-
18,404	18,404	12,475	-	-	-
467,065	295,489	241,565	15	15	-
$ 6,295,398	$ 16,148,757	$ 12,491,551	$ 9,498,440	$ 15,573,832	$ 15,332,326

CITY OF FORNEY, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Property taxes	$ 3,441,996	$ 5,683,918	$ 6,270,789	$ 6,168,880
Sales taxes	2,262,647	1,618,607	2,469,745	2,427,003
Franchise taxes	2,396,537	291,679	3,502,789	3,329,189
Other taxes	26,152	36,316	53,170	78,492
Fines and forfeitures	163,570	221,972	147,829	184,744
Licenses and permits	729,334	452,134	380,208	558,848
Charge for services	221,313	217,759	122,078	66,873
Contributions and donations	7,854	291,270	1,490,155	1,225,012
Impact fees	934,499	251,220	179,149	286,282
Intergovernmental	-	-	56,000	59,070
Investment income	660,274	1,650,472	548,251	89,765
Miscellaneous	233,122	47,489	66,771	51,208
Total Revenues	11,077,298	13,412,836	15,286,934	14,525,366
EXPENDITURES				
General government	2,096,662	2,136,649	2,293,206	2,275,456
Public safety	2,907,774	3,447,953	3,833,244	4,282,228
Public works	627,275	896,924	951,821	1,382,171
Public services and operations	873,431	691,741	261,158	630,959
Culture and recreation	399,446	483,667	1,670,406	878,250
Library	26,322	38,496	61,785	55,126
Other	12,632	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	3,803,551	16,597,235	29,243,256	7,498,465
Debt service				
Principal retirement	371,163	643,630	757,665	898,843
Interest and other charges	177,042	1,776,491	3,529,644	3,293,987
Bond issuance costs	-	-	-	-
Total Expenditures	11,295,298	26,712,786	42,962,185	21,195,485
OTHER FINANCING SOURCES (USES)				
Issuance of note payable	112,555	61,663	440,725	-
Debt issuance	26,305,000	39,605,000	-	-
Payment to refunding bond escrow agent	-	-	-	-
Premiums and discount on debt issue	-	(371,321)	-	-
Capital lease	-	205,106	-	-
Insurance refund	22,360	87,534	46,959	-
Extraordinary item (expense)	-	-	-	-
Transfers in (out)	(2,612,520)	12,662,231	-	4,341,457
Sale of assets	-	18,781	94,208	6,122
Total Other Financing Sources (Uses)	23,827,395	52,268,994	596,543	4,347,579
NET CHANGE IN FUND BALANCES	$ 23,609,395	$ 38,969,044	$(27,078,708)	$(2,322,540)
Debt service as percentage of noncapital expenditures	7.32%	23.92%	31.25%	30.61%

TABLE 5

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 6,615,716	$ 6,972,379	$ 7,122,398	$ 7,270,549	$ 7,692,263	$ 8,094,304
2,580,493	2,723,236	3,407,923	3,839,949	4,212,896	4,709,696
3,341,680	3,598,611	3,638,053	3,717,733	3,653,796	3,505,463
90,584	91,702	112,614	131,075	137,737	172,118
223,562	257,528	283,411	213,305	222,886	279,553
481,067	660,020	949,007	608,204	542,322	712,457
220,074	471,224	646,358	483,489	3,075,300	1,187,352
2,522,714	1,436,156	562,009	19,000	23,817	428,843
268,157	279,134	839,448	259,848	148,851	287,078
2,012	5,058,678	4,221,085	3,978,938	4,236,168	4,019,000
55,451	36,114	63,810	51,120	155,264	112,348
115,801	64,964	68,621	71,978	77,483	371,061
16,517,311	21,649,746	21,914,737	20,645,188	24,178,783	23,879,273
2,542,869	2,689,720	3,029,497	3,079,170	3,081,859	3,401,352
4,292,715	4,636,736	5,137,340	5,903,836	6,186,164	6,725,645
1,045,731	13,369,157	6,317,481	1,055,368	1,128,216	1,146,561
578,487	661,557	793,640	647,689	647,572	669,532
939,526	1,030,725	1,126,443	1,106,325	1,151,393	1,243,090
72,870	36,318	52,585	45,875	67,380	-
-	-	-	-	-	-
-	-	-	-	-	46,531
17,800,532	3,533,371	3,160,822	3,856,913	3,152,480	5,387,862
3,250,764	423,084	4,134,293	4,571,621	5,083,913	5,449,508
3,406,487	3,369,689	3,503,846	3,114,841	2,763,979	2,716,974
-	-	-	-	259,160	135,819
33,929,981	29,750,357	27,255,947	23,381,638	23,522,116	26,922,874
-	-	-	-		-
8,275,000	-	3,265,000	-	15,680,000	10,720,000
(2,192,352)	-	(2,180,000)	-	(11,757,415)	(8,667,653)
(32,987)	-	(11,073)	-	1,357,198	588,274
153,998	-	-	-	-	-
-	-	-	-	21,241	-
(303,100)	-	(1,444,258)	-	-	-
3,398,260	(6,024,487)	402,644	601,333	458,247	528,752
8,197	22,504	-	-	11,205	64,980
9,307,016	(6,001,983)	32,313	601,333	5,770,476	3,234,353
$(8,105,654)	$(14,102,594)	$(5,308,897)	$(2,135,117)	$(17,094,973)	$ 190,752
41.27%	14.47%	31.70%	36.88%	38.63%	37.22%

CITY OF FORNEY, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended Sept. 30	Real Property			Less:
	Residential Property	Commercial Property	Personal Property	Tax Exempt Real Property
2007	$ 551,016,349	$ 186,565,251	$ 97,369,020	$ 160,723,205
2008	688,300,537	241,817,561	109,687,250	230,894,032
2009	651,755,969	255,772,540	129,750,590	173,531,796
2010	708,422,785	241,500,240	108,449,489	188,571,735
2011	739,537,537	278,042,401	133,436,980	288,073,180
2012	695,346,050	368,823,820	105,161,475	289,928,404
2013	605,710,130	453,875,312	114,444,450	292,390,439
2014	619,543,075	451,956,965	114,619,240	218,602,825
2015	680,940,909	461,666,186	124,851,970	219,280,740
2016	750,438,271	524,609,531	141,986,160	267,831,558

Source: Kaufman County Appraisal District

Note: Property is reassessed annually. Property is assessed actual value;
therefore, the assessed values are equal to the actual value.
Tax rates are per $100 of assessed value.

Residential: include single family, vacant lots, acreage, farm and ranch
Commercial: include real property, industrial and utilities

TABLE 6

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Taxable Assessed Value Inc / (Dec)
$ 674,227,415	$ 0.494800	$ 834,950,620	20.05%
808,911,316	0.575040	1,039,805,348	16.65%
863,747,303	0.680535	1,037,279,099	6.35%
869,800,779	0.680540	1,058,372,514	0.70%
862,943,738	0.707290	1,151,016,918	-0.79%
879,402,941	0.743098	1,169,331,345	1.87%
881,639,453	0.749020	1,174,026,892	0.25%
967,516,455	0.749020	1,186,119,280	9.74%
1,048,178,325	0.723486	1,267,459,065	9.23%
1,149,202,404	0.698483	1,417,033,962	9.64%
		10 Yr Avg	7.37%

CITY OF FORNEY, TEXAS

PROPRIETARY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS
(PER $100 OF ASSESSED VALUE)
(UNAUDITED)

	City Direct Rates			Overlapping Rates *	
Fiscal Year Ended Sept. 30	Operating/ General Rate	General Obligation Debt Service	Total Direct	Forney Independent School District	Kaufman County
2007	$ 0.348101	$ 0.146700	$ 0.494801	$ 1.420000	$ 0.493500
2008	0.318010	0.257030	0.575040	1.460000	0.478500
2009	0.338010	0.342525	0.680535	1.500000	0.488500
2010	0.312380	0.368160	0.680540	1.500000	0.488500
2011	0.323198	0.384092	0.707290	1.500000	0.507700
2012	0.323198	0.419900	0.743098	1.500000	0.556500
2013	0.316925	0.432095	0.749020	1.540000	0.556500
2014	0.316925	0.432095	0.749020	1.540000	0.576200
2015	0.333638	0.389848	0.723486	1.540000	0.576200
2016	0.350398	0.348085	0.698483	1.540000	0.576200

Source: Kaufman County Appraisal District

* Overlapping rates are those of local and county governments that apply to property over within the City of Forney.

TABLE 8

CITY OF FORNEY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	Assessed Taxable Value 2016 Fiscal Year	Rank	Percentage of Assessed Taxable Value	Assessed Taxable Value 2007 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Orange County Container Group	$ 52,817,273	1	4.60%			
Oncor Electric Delivery Company	20,644,980	2	1.80%			
Steve Silver Company	17,800,630	3	1.55%			
Wal-Mart Real Estate Business Trust	17,021,440	4	1.48%			
Kroger Texas LP	16,131,050	5	1.40%			
Gateway Holdings LP	14,583,170	6	1.27%			
Forney Deerval LLC Etal	7,851,320	7	0.68%			
Sealy SW Properties LP	7,364,651	8	0.64%			
Lowes Home Center Inc	5,640,840	9	0.49%			
Forney Senior Living LLC	5,011,620	10	0.44%			
Steve Silver Company				$ 19,832,130	1	2.94%
WalMart Real Estate Bus Trust				17,117,700	2	2.54%
Oncor Electric Delivery Company				15,910,560	3	2.36%
CSI Texas Holdings Inc				14,986,340	4	2.22%
CSI Texas Holdings Inc				10,981,230	5	1.63%
Sealy SW Properties, LP				10,164,110	6	1.51%
Lowes Home Center, Inc				9,325,650	7	1.38%
Shafer Plaza, XLI, LTD				9,032,800	8	1.34%
Corrugated Services, LP				8,922,700	9	1.32%
Lowes Home Center, Inc				6,364,290	10	0.94%
	$ 164,866,974		14.35%	$ 122,637,510		18.19%

Source: Kaufman County Appraisal District

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TABLE 9

CITY OF FORNEY, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amounts	% of Levy
2007	$ 3,336,082	$ 3,270,583	98.04%	$ 23,237	$ 3,293,820	98.7%
2008	4,651,564	4,611,379	99.14%	36,612	4,647,991	99.9%
2009	6,161,777	6,103,851	99.06%	45,570	6,149,421	99.8%
2010	6,234,514	6,168,880	98.95%	18,353	6,187,233	99.2%
2011	6,457,831	6,377,676	98.76%	28,198	6,405,874	99.2%
2012	6,534,626	6,494,045	99.38%	39,567	6,533,612	100.0%
2013	7,453,761	7,022,474	94.21%	65,977	7,088,451	95.1%
2014	7,246,254	7,168,440	98.92%	65,094	7,233,534	99.8%
2015	7,568,618	7,517,753	99.33%	32,145	7,549,898	99.8%
2016	7,970,603	7,927,286	99.46%	-	7,927,286	99.5%

Source: Kaufman County Appraisal District

CITY OF FORNEY, TEXAS

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Pass - Through Bond	Premiums/ Discounts
2007	$ -	$ 32,771,464	$ 212,863	$ -	$ -
2008	26,105,000	6,186,563	259,661	39,605,000	-
2009	25,710,000	6,890,439	446,702	39,605,000	-
2010	25,160,000	5,591,183	540,427	39,605,000	-
2011	25,825,000	8,950,682	599,151	38,405,000	-
2012	25,825,000	8,633,936	492,813	38,405,000	-
2013	27,041,089	7,379,417	319,633	35,487,944	-
2014	25,540,000	6,873,588	277,247	32,895,000	-
2015	25,500,000	9,305,000	233,813	29,860,000	1,117,561
2016	23,915,000	11,500,000	189,305	26,270,000	1,413,881

TABLE 10

Business-Type Activities							
General Obligation Bond	Certificates of Obligation	Other Obligations	Revenue Bonds	Premiums/ Discounts	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
$ -	$ 5,553,536	$ 545,000	$ 380,000	$ -	$ 39,462,863	11.65%	$ 2,755
-	5,683,436	601,568	-	-	78,441,228	21.46%	5,603
-	5,419,561	429,079	-	-	77,500,781	18.67%	5,167
-	5,133,817	245,507	-	-	76,275,934	18.09%	4,889
1,635,000	6,294,318	64,065	-	-	81,773,216	20.18%	5,430
1,530,000	5,956,064	12,860	-	-	80,855,673	20.11%	5,285
1,295,000	5,732,177	-	-	-	77,255,260	18.07%	4,868
1,125,000	5,431,412	-	-	-	72,142,247	16.88%	2,678
3,555,000	2,545,000	-	-	41,008	72,157,382	18.07%	4,868
3,145,000	2,425,000	-	-	36,907	68,895,093	13.83%	2,425

TABLE 11

CITY OF FORNEY, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Estimated Population[1]	Assessed Value[2]	Gross Bonded Debt[3]	Less Debt Service Funds	Net Bonded Debt	% of Net Bonded Debt of Assessed Value	Net Bonded Debt per Capita
2007	12,852	$ 674,227,415	$ 39,249,999	$ 3,755,057	$ 35,494,942	5.26%	$ 2,762
2008	14,000	808,911,316	23,291,563	3,130,197	29,161,366	3.61%	2,083
2009	15,000	863,747,303	31,600,439	1,660,129	29,940,310	3.47%	1,996
2010	14,661	869,800,779	30,751,183	4,104,396	26,646,787	3.06%	1,818
2010	15,060	862,943,738	34,775,682	3,537,983	31,237,699	3.62%	2,074
2012	15,300	879,402,941	34,951,749	3,763,823	31,187,926	3.55%	2,038
2013	15,870	881,639,453	41,447,683	4,067,297	37,380,386	4.24%	2,355
2014	16,000	967,516,455	40,390,865	6,060,375	34,330,490	3.54%	2,145
2015	16,800	1,048,178,325	41,609,999	2,992,248	38,617,751	3.68%	2,299
2016	18,418	1,149,202,404	42,435,788	2,613,944	39,821,844	3.47%	2,162

Source:

[1] City Staff

[2] Kaufman County Appraisal District

[3] Schedule of Bonds Payable and Total Bonds for Fiscal Year (does not include debt to be reimbursed by TxDOT with pass-through usage)

TABLE 12

CITY OF FORNEY, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2016
(UNAUDITED)

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Forney Independent School District	$ 275,232,675	41.55%	$ 114,359,176
Kaufman County	42,173,850	16.03%	6,760,468
	317,406,525		121,119,644
City of Forney			42,435,788
			163,555,432
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			15.58%
Per capita overlapping bonded debt			$ 9,260

Source: "Texas Municipal Report" as of September 30, 2016, prepared by the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that are borne by the residents and businesses of the City of Forney. This process recognizes that, when considered the City of Forney's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Forney's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF FORNEY, TEXAS

LEGAL DEBT MARGIN INFORMATION

SEPTEMBER 30, 2016
(UNAUDITED)

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of $2.50 per $100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt services, as calculated at the time of issuance and based on a 90% collection rate.

Allowable levy per $100 Valuation	$1.50
Levy for Debt Service	0.348085
Percentage of allowable levy used	23.20%

CITY OF FORNEY, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Estimated Population [1]	Personal Income [2]	Per Capita Income	Average Age [3]	Grade School Enrollment [4]	Unemployment Rate [5]
2006	12,570	$ 329,572,830	$ 26,219	33.60	5,239	5.00%
2007	12,852	336,812,364	26,207	34.52	6,138	4.50%
2008	14,000	365,554,000	26,111	33.85	6,995	2.14%
2009	15,000	415,125,000	27,675	33.85	7,413	2.20%
2010	14,661	421,635,699	28,759	33.85	7,795	3.85%
2011	15,060	405,204,360	26,906	33.85	8,087	6.50%
2012	15,300	402,145,200	26,284	34.20	8,288	7.50%
2013	15,870	427,506,060	26,938	31.70	8,488	7.70%
2014	16,000	465,120,000	29,070	32.60	8,945	4.80%
2015	16,800	498,110,000	28,405	33.60	8,995	6.90%
2016	18,418	540,249,000	29,323	31.30	9,281	6.60%

Sources:

[1] EDC - Claritas

[2] EDC - Claritas

[3] EDC - Claritas

[4] Forney ISD

[5] Texas Workforce Commission

TABLE 15

CITY OF FORNEY, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO
(UNAUDITED)

	2016			2006		
Name of Employer	No. of Employees	Rank	Percentage of Total City Employment	No. of Employees	Rank	Percentage of Total City Employment
Forney ISD	1,394	1	16.09%	700	1	8.08%
WalMart	360	2	4.16%	300	2	3.46%
Smurfit Kappa	260	3	3.00%	250	4	2.89%
Steve Silver Company	220	4	2.54%	277	3	3.20%
Kroger MarketPlace	208	5	2.40%			-
Intex Electrical	175	6	2.02%	125	5	1.44%
City of Forney	135	7	1.56%	79	8	0.91%
ABOX Packaging	130	8	1.50%			
Lowe's Home Improvement	120	9	1.39%	115	6	1.33%
Ridgecret Healthcare & Rehab	110	10	1.27%			-
Brookshire's	92	11	1.06%			-
Classic Industries	75	12	0.87%	100	7	1.15%
Eric L Davis Engineering	52	13	0.60%			-
Emergicon	50	14	0.58%			
Lake Pointe Emergency	46	15	0.53%			-
Texas Lamp	44	16	0.51%	33	10	0.38%
Dal-Bac Manufacturing	41	17	0.47%	21	12	
Luminant Energy	40	18	0.46%			-
Three Forks Senior Living	38	19	0.44%			-
Aircraft Ducting Repair Inc	33	20	0.38%	31	11	0.36%
Oncor Electric Delivery	30	21	0.35%			-
Forney Wellness	29	22	0.33%			-
Family Medical	26	23	0.30%			-
Sophia Design Group	25	24	0.29%			
Best Western Plus Christopher Inn & S	20	25	0.23%			-
City Bank	19	26	0.22%			-
American National Bank	14	27	0.16%			-
CWP	-		-	33	9	0.38%
Totals	3,786			2,064		
Total employment within City	8,662					

Source: Forney Economic Development Corporation and employer records

CITY OF FORNEY, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	10.00	10.00	12.00	12.00	12.00	24.00	24.00	25.00	26.00	26.00
Public Safety:										
Municipal Court	2.00	2.00	2.00	2.50	2.00	2.50	2.50	2.63	2.63	2.63
Police	28.00	31.00	33.00	33.50	33.00	36.00	36.00	39.63	41.63	43.00
Fire	10.50	14.00	14.00	14.00	14.00	17.00	24.00	24.00	24.00	27.50
Animal Control	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00
Public Works	10.00	12.00	12.00	13.00	12.00	8.00	9.00	8.00	8.00	8.00
Parks and Recreation	3.00	5.00	6.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00
Water and Sewer Systems	15.00	16.00	17.00	16.00	16.00	11.50	12.00	13.00	13.00	15.00
Total	80.50	92.00	98.00	101.00	99.00	109.00	117.50	123.26	126.26	134.13

CITY OF FORNEY, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
Function/Program				
Public Safety				
Municipal Court				
Number of cases filed	242	280	259	180
Police				
Physical Arrests	631	716	746	645
Traffic Violations	1,520	2,338	1,602	1,485
Fire				
Number of calls answered	3,194	2,505	2,861	3,180
Animal Control				
Number of calls	1,576	1,414	1,425	1,457
Public Works				
Streets maintained	67	67	59	59
Water and Wastewater				
New connections	149	105	87	128
Annual gallons of water pumped (millions)	1,192	1,188	1,399	1,485
Miles of water mains maintained	90	98	80	101

TABLE 17

Fiscal Year					
2011	2012	2013	2014	2015	2016
123	157	211	328	625	2,608
574	645	764	807	635	748
2,175	1,973	1,681	2,346	2,129	1,804
3,428	3,410	3,464	3,441	3,261	4,066
939	531	512	1,856	1,584	825
150	150	150	150	150	150
135	64	212	151	113	120
1,862	1,450	1,369	1,370	1,558	1,849
103	105	105	105	108	108

CITY OF FORNEY, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
Function/Program				
Public Safety				
Police				
Stations	2	2	2	1
Patrol units	17	19	21	22
Fire				
Stations	2	2	2	1
Public Works				
Streets (miles)	64	67	59	58
Parks and Recreation				
Parks (acreage)	55	167	225	225
Number of playgrounds	8	4	6	6
Water and Wastewater				
Water main (miles)	85	90	102	101
Sewer mains (miles)	62	62	80	79
Storm drainage (miles)	19	19	19	19

Source: City departments

TABLE 18

Fiscal Year					
2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
24	24	23	24	24	26
1	1	1	1	1	1
150	150	150	150	150	152
225	258	258	258	258	258
6	6	6	6	6	6
101	105	105	105	105	108
79	75	75	75	75	93
19	19	19	19	19	19

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INTERNAL CONTROL AND COMPLIANCE SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Forney, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Forney, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2017